

# FAR EASTERN ECONOMIC REVIEW

**VOL. X**

**Hongkong, May 17, 1951**

**No. 20**

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## HONGKONG'S POSITION

At the Annual Meeting of the Hongkong Engineering Society last week His Excellency the Governor, Sir Alexander Grantham, replied to statements made abroad about the position of Hongkong. The speech was as follows:—

I expect that all of you here remember that during the years 1946 to 1950 we had a very good Press in all parts of the world. Journalists and others came to Hongkong; they saw, they admired and they wrote us up. Hongkong was the oasis in the Far East where everyone from the coolie to the taipan worked hard and cheerfully, and where the government was good, with the result that this comparatively small place set an example of happy and contented prosperity to the rest of the world. It is quite true that a good job was done.

The way which the Colony set itself on its feet again was really a remarkable achievement, but we are modest people and we were somewhat embarrassed by the way in which the picture was over-gilded. What a contrast there is to-day, when we have a bad Press in some overseas countries, and when we are criticised for what we have done or are doing, whether real or imaginary, and for things that we have not done or are not doing.

It has also been said that Hongkong is a dying city. That too is, of course, nonsense. We are going through difficult times, but have we not gone through difficult times before, and survived? And then gone on from strength to strength? And we shall do so again.

But the principal charge that our detractors make against us is that all we think about is making money. They will admit that making money in itself is not a bad thing. What they say is that we are quite unscrupulous about it,

that we have no morals where money is concerned, and that we would sell our own souls, and everyone else's as well, for it, from which follows, too, that we are appeasers—a word which has such bad implications since 1938.

Now all those statements are plain rubbish, to say the least of it. We have our principles, and though we don't shout much about them we do practise them, and we do stand up for them.

I am sure that there are many people present here who were in Hongkong during those days of anguish in December, 1941. It was then realised that the resistance against the overwhelmingly superior forces of the Japanese was doomed to failure; but did those people, or did anybody else in Hongkong at that time, try to appease the Japanese? No, they endured the agony of those days and they endured imprisonment, and in many cases torture. The people of Hongkong have in fact proved themselves. I wonder if all our detractors have done the same.

All those unfair statements that are made about us are sufficient cause to make one angry and inclined to hit back. Be angry by all means, but don't try to hit back. What good would it do? We should moreover remember that in the journalistic world, generally speaking, there are only blacks and whites and nothing in between. Just as we were overpraised a few years ago, now we are over-criticised. Moreover we should remember too that we and our detractors are both members of the free world and that we stand for the same things.

I recollect once, some years ago, at a very good party, I was talking with a friend of mine, an American. He turned to

me and told me what he thought of the British. When the tirade was over and he had cooled down a bit, I said, "Well, that's fine, Dick, I am glad you've got it off your chest. You know you don't really mean all you have said." He replied, "No, of course I don't, I admire and respect you British very much, but at times you do irritate me, and I have no doubt that we Americans irritate you British." I need hardly add that this incident between my friend and myself did nothing to mar our friendship. It is a good thing if we let off steam occasionally, and don't keep it bottled up within us. Let us therefore regard the tirade that is going on against Hongkong at the present moment in the same light as my friend Dick's tirade against the British.

Let us also remember that the things said about Hongkong are not for the most part said maliciously, and that they are very often based on incorrect information. An amusing example of the latter occurred a few months ago when a businessman came up from Singapore in the expectation that he would be able to pick up a lot of cars at bargain prices because the owners were, according to his information or rather misinformation, fleeing from Hongkong. Imagine his disgust when he found there was no fleeing from Hongkong, and that the price of secondhand cars here was higher than in Singapore. If there is such ignorance about conditions here in a place as near to us as Singapore, how much greater ignorance is likely in places thousands of miles away.

In conclusion let me repeat what a well-known writer of the last century, Emerson, said: "Is it so bad then to be misunderstood? To be great is to be misunderstood."



## STABILITY AND PROGRESS IN INDIA'S ECONOMY

The progress that Indian economy has made, the present position and future prospects, cannot be better summed up than what the Hon'ble Sri Chintaman Deshmukh, Finance Minister, has done in the concluding part of his recent speech at the annual meeting of the Associated Chambers of Commerce at Calcutta. He said: "Surveying the Indian economic scene, I am heartened by the signs of stability that I can discern through the welter of immediate difficulties. These, especially in the matter of food, are serious, admittedly, but with careful management they should not be insurmountable if the people face the situation with cool heads and stout hearts. There is increasing understanding between Government and Industry ..... We in Government have a lively realisation of the importance of maintaining law and order and of making economic conditions conducive to increased production of wealth. In a scarcity-weary economy, it is not always clear to one sector what its duty is to others; but it is for the leaders of public opinion in their various sectors to influence choice of action in the right direction. With internal stresses abating, India offers a favourable field for enlightened and imaginative capital assistance from abroad."

Inflation has been a constantly recurring problem in the recent economic history of India. Government has taken a series of measures to check the widening spiral. These measures were successful for a time; but inflation started again, which received a further fillip on the out-break of the Korean war. In consonance with the inflationary trend throughout the world, Indian prices also appreciated, although not to the same extent as in many countries of the West. But during recent months, the inflationary curve has flattened, thus indicating that the further measures which the Government of India adopted during the latter part of the year have had effect on the situation.

This is what the Finance Minister states: "Last year, following the devaluation of the rupee, there were price cuts in essential commodities like cereals, cotton yarn, cloth, pig iron and steel. A reduction of 3 to 15 percent was made in the issue price of food, partly through a cut in transport and distribution charges and partly through a reduction in procurement prices. As a result of these price reductions, the general price index fell to 381.3 in December last year, representing a reduction of about 3 percent from the October 1949 level. It did not however prove possible entirely to check the upward pressure on prices generated by devaluation and by June 1950, most of the gain had been lost, the price index rising to 395.6 by that time.

"After the commencement of hostilities in Korea, the general index rose sharply to 405.2 in July 1950 and the rise continued, the high-watermark being reached in the first week of October when the index stood at 413.5. Since then, after some slight fluctuations, it has fallen to 411.3 for the week ending 25th November 1950. Comparative figures are available for October 1950 which show an increase in our price level of about 4 percent as against the pre-Korean War level. This, however, represents a slower rate of increase than in the U.K. and U.S.A., where since the outbreak of the Korean War, the corresponding rise in price level is 7 percent and 8 percent respectively.

"I quote these figures not out of any sense of complacency but in order to bring out the point that the recent rise in the price index in India can be attributed largely to factors which affect many other countries as well. As a matter of fact, the Government of India were not tardy in taking measures to check this rise in so far as it lay in their power to do so.

"Soon after the outbreak of the Korean War, Government passed the Essential Supplies (Temporary Powers) Amendment Act, prescribing drastic penalties for hoarding foodgrains. The Centre assumed powers to make laws for a period of one year in respect of two subjects in the States' Lists, viz., Trade and Commerce, and Production, Supply and Distribution of Goods. In September last, the Supply Prices of Goods Ordinance was passed. Very recently, a Prices Advisory Board, consisting of representatives of various interests, has been formed to advise Government on price policy and on the best means of executing such policy. Imports have been liberalised and a new Open General Licence was issued. Arrangements are being made to avoid competitive purchase of cotton in order to keep down the prices within the ceiling fixed. It was the intention to introduce monopoly procurement of food in all States in order to secure supplies to the maximum possible extent for the rationed areas; but the sudden worsening of the food situation in several States as a result of the severe drought in October has introduced serious complications with which we are wrestling at the moment."

There are today many adverse factors still to be overcome; there are still many harmful trends and tendencies to be counter-acted. Government are watchful and taking various steps to remedy the situation arising therefrom; they have laid down plans to improve the economy in the desired directions. These have yielded some results, which can be termed substantial in certain directions. For instance, take industrial production. Except in the

major instance of cotton mill and jute industries, where production has been lower due to special causes, the output of many industries has shown an appreciable rise during the year. Examples in the direction are steel; sulphuric acid and some other basic acids and chemicals; bicycles; some non-ferrous metals; cement; ceramics; motor car batteries, electric lamps and some other electrical industries; paper and boards, glass; refractories; Diesel engines; sewing machines; industrial and power alcohol; and vanaspathi. The improvement is very appreciable in some cases. Coal production has been steady. What is more significant is the fact that industrial capacity has been steadily growing so much so that in many instances, capacity is in a position to cater in an increasing measure to the demands of export markets, after satisfying domestic needs. At present exists capacity to produce 3 million tons of cement, 60,000 tons of ceramics, 278,000 electric fans, 23 million electric lamps, 3.5 million hurricane lanterns, 120,000 bicycles, 154,000 tons of glassware, 290,000 tons of refractory materials, 270,000 tons of soap, 38,000 sewing machines, 6 million sets of cycle tyres and tubes, and 300,000 motor car batteries.

During the last three years, the industrial structure has been expanded by the addition of new imported capital goods worth nearly Rs. 3,000 million, by way of replacement and renewals, expansion of existing industries and the starting of new ones. This expansion, it should be remembered, is in addition to the value of capital goods acquired through indigenous sources. Thus, the industrial structure of India, despite the inactivity of the capital market during the last two or three years, has not been static but dynamic. It is this dynamism that has brought about this increased production and this increased industrial capacity. If favourable national and international factors continue, the stage is set for India to increase the volume and variety of her export trade in manufactures and endeavour to cater to the needs of her neighbours in regard to their requirements of consumer goods.

We have referred above to the inactivity of the capital market during the last two or three years. The reason for that was, inter alia, the extremely inadequate availability of capital goods from the chief manufacturing countries and the too long delivery periods which their manufacturers asked for. Now that the position would appear to be better in these respects, as evidenced by the increasing value of capital goods imported by India during the last three years, one can reasonably expect a revival of activities in the capital market in the coming year, assuming the continuance of favourable international situation. Indirect evidence for such a possibility is forthcoming from the improved activity of the share markets during the last few months. After touch-



ing very low values in 1948 and remaining more or less stagnant in 1949, share values have risen appreciably during recent months. What is more important is the broadening of enquiry and evidence of investment demand. The share markets have all closed the year with a steady undertone and a feeling of subdued optimism for the future.

We have referred above to a shortfall in the production of cotton and jute goods, which is due purely to temporary causes. Had it not been for the textile strike in Bombay, it is probable that, despite difficulties connected with the procurement of raw cotton, production of cotton piecegoods and yarn during the year would have more or less maintained. So far as the jute industry is concerned, the cause was the inadequacy of raw jute supplies owing to circumstances beyond control. Government have realised the necessity to make India self-sufficient, as early as possible, in respect of her raw cotton and raw jute requirements. Already, as a result of active measures taken by Government, raw cotton has been stepped up to 3.3 million bales and raw jute to 3.3 million bales during the current season. It is the intention to achieve a target of 4.1 million bales in the former and 6.1 million bales in the latter, at an early date, in order to enable cotton and jute industries to have adequate supplies of these raw materials through indigenous sources. Government are aiming at a balanced production of raw cotton, raw jute, sugarcane and foodgrains. The intention of the Government to make India self-sufficient by March 1952 in regard to her foodgrain needs is well known. The policy is not to import foodgrains thereafter, except under very special circumstances. The foreign exchange saved thereby, to the tune of Rs. 100-125 crores a year will be available for other vital purposes, such as a more speedy and much enlarged industrial development of the country.

Such a measure of industrial development is already aimed at in the several policies and programmes which Government have formulated during the last two or three years. The industrial policy of the Government was made clear in an elaborate statement on the question by the Prime Minister in April 1948 and subsequently further clarified on more than one occasion. The question of participation of foreign capital in the industrial development of India has also been similarly clarified on more than one occasion. Various income-tax and other concessions have been given for the development of new industries. With a view to stimulating further investments, various tax concessions have been given. Government are proceeding ahead with the Sindri factory which, when in operation in 1951, will be the largest chemical fertiliser producing factory in the East. Other industrial ventures, official and quasi-official, are either being implemented or are under active consideration. Proposals are under consideration for augmenting steel production. The Tariff Board is

## SRI LANKA The New Dominion of Ceylon and its Economic Development

### The New Government by the People

From that distant age, five hundred years before the Christian era, when the first ruler of Lanka is mentioned in history, until the last Sinhalese King was dethroned early in the nineteenth century A.D., the Island flourished as a monarchy. Indeed, it knew no other form of Government. From the sixteenth century the maritime areas were ruled by the Portuguese and the Dutch. The seeds of parliamentary democracy were sown in British times and the struggle for independence was carried on over many decades. Passing through several stages of Colonial rule, Ceylon emerged as an independent nation in the Commonwealth of Nations on February 4, 1948, having this year celebrated its third anniversary and adopted the ancient name for the country, Sri Lanka. It deliberately chose the British pattern of democratic government though it is not the only form of democracy known to mankind. The foundation of the system is the free choice by the people of representatives to the legislature, who in turn support and sustain in power the Government which commands the largest measure of confidence in Parliament and the country. Every adult person who is a citizen of Ceylon may

vote to return a member to the House of Representatives, the popular assembly in Parliament. The representation has been so arranged as to enable every community and interest to have its voice heard in Parliament.

The first delimitation of the constituencies under the new Constitution was carried out by a Commission. Each Province of the Island was divided into electoral districts, the total number of which is specified in the Order-in-Council and the aggregate of which totals 95 for the whole Island.

Each electoral district of a Province has, as far as possible, an equal number of persons subject to a proviso relating to transport facilities, physical features, and community or diversity of interest of the inhabitants of the Province. The electoral districts have, however, been demarcated so as to render possible the representation of minorities united by the tie of race, by the tie of religion, or by any other tie.

Where, after any general election the Governor-General is satisfied that any important interest in the Island is not represented, he may appoint any persons not exceeding six in number, to be Members of the House of Representatives.

The Constitution is the fundamental law of the Island and the source of

continuously engaged in the work of examining the question of granting short-term protection or other kind of state aid to deserving industries; they have so far disposed of about 60-70 cases. Lastly, the Fiscal Commission, which was set up last year, has submitted a comprehensive report on the question of the future fiscal policy, in the light of the present changed circumstances and future objectives; their recommendations, involving a wide field of the country's economy, is now under active consideration.

If industrial development takes place in a haphazard manner, the country will not derive the maximum benefit out of such a process—it may be that some harm may also be done to some economic sectors. Therefore, with a view to enabling it to do so and thus ensure a harmonious development of the country's resources, human and material, within as short a period as possible, it is necessary to plan developmental programmes on a rational basis. With this object in view, the Planning Commission has been set up. This Commission will submit in the near future a five-year plan, in which, apart from existing commitments of an essential character, it is expected to recommend schemes which will develop materials and technical resources and increase the production of food and raw materials over a relatively short period.

The Indian plan is organically related to the Commonwealth plan for the economic development of South East Asian countries, which is popularly known as the Colombo plan. It visualises, a six-year period of development, during which the resources of the area will be developed, by bringing 13 million more acres under cultivation and irrigation, which will increase foodgrains supply by 6 million tons, and by increasing the generation of electricity by 67 per cent. or by 1.1 million kwts. India is a major participant in the plan. Expenditure in this country will amount to £1,379 million, out of a total of £1,868 million proposed for the whole area, of which £456 million will be on agriculture, £527 million on transport and communications, £43 million on fuel and power, £135 million on industry and mining and £218 million on social services. So far as India is concerned, a sum of £772 million will be met from internal resources and the balance of £607 million will have to be financed from external resources, including withdrawals from Sterling balances. The plan, when implemented, will produce substantial results for the country. For instance, an additional output of 500,000 tons of steel will be available. The availability of cloth per individual will be 15 yards as against 10 yards at present and foodgrains in urban rationed areas 16 oz. as against 12 oz. at present.



power. It defines and limits the sphere of action of the Government and assigns to its three branches,—executive, legislative and judicial—specific duties and responsibilities. Through it, final authority is vested in the people—the voters.

In a general election, the voter selects his Member of Parliament; in a local election, his Municipal or Urban Councillor or member of the Town or Village Council. Throughout all the processes of electing and governing, the voter is the deciding factor.

The individual is guaranteed by the law, freedom of religious worship, of speech, and of the press, and the rights of peaceful assembly. A person accused of wrong-doing is given every opportunity to defend himself. He is regarded as innocent until proved guilty at a trial which is fairly and openly conducted.

#### Powers of the Legislature

Laws are made by the two Houses of Parliament: the House of Representatives and the Senate. They are introduced in the form of "Bills" which become "Acts" when the Bills have been passed by Parliament and assented to formally by the Governor-General in the King's name.

The Senate consists of thirty of whom fifteen are elected by the House of Representatives and fifteen by the Governor-General. One-third of the Senators retire every second year. The House of Representatives consists of 101 members, 95 of whom are elected and 6 are nominated.

Parliament has power to make laws for the peace, order and good government of the Island. It has no power to make laws to: (a) prohibit or restrict the free exercise of any religion; or (b) make persons of any community or religion liable to disabilities or restrictions to which persons of other communities or religions are not made liable; or (c) confer on persons of any community or religion any privilege or advantage which is not conferred on persons of other communities or religions; or (d) alter the Constitution of any religious body except with the consent of the governing authority of that body.

The Constitution provides that the House of Representatives shall choose a Speaker, a Deputy Speaker and Chairman of Committees. The Senate at its first meeting shall elect two Senators to be respectively the President and the Deputy President and Chairman of Committees.

A Bill, other than a Money Bill, may be introduced in either the House of Representatives or the Senate. A Money Bill may not be introduced in the Senate. A Money Bill is a Public Bill which contains only provisions dealing with taxation, public expenditure or Government loans.

#### Departments of the Government

The general direction and control of the Government of the Island are vested in the Cabinet of Ministers who are collectively responsible to Parliament.

The Prime Minister is the Head of the Cabinet.

The Prime Minister is also in charge of the Ministry of Defence and External Affairs in addition to such other matters as he may decide to retain in his charge. Every other Minister shall be charged with the administration of such subjects and functions as may be assigned to him by the Prime Minister. Not less than two Ministers, one of whom shall be the Minister of Justice, must come from the Senate.

The Prime Minister is the leader of the largest party or group in the House of Representatives and he is appointed by the Governor-General. The other Ministers are appointed by the Governor-General on the advice of the Prime Minister. The number of Ministers is not fixed and in Ceylon's first Cabinet there are fourteen including the Prime Minister.

Parliamentary Secretaries are appointed, from the Senate and the House of Representatives by the Governor-General on the advice of the Prime Minister, to assist the Ministers in the exercise of their parliamentary and departmental duties. Another purpose of appointing Parliamentary Secretaries is to give training to the younger members of both Houses in the handling of public business.

The Ministers of the Government are: Prime Minister (Defence and External Affairs), Health and Local Government, Industries, Industrial Research and Fisheries, Home Affairs and Rural Development, Education, Labour and Social Services, Finance, Transport and Works, Justice, Food and Co-operative Undertakings, Agriculture and Lands, Posts and Telecommunications, Commerce and Trade, Minister without Portfolio (Chief Whip).

A Permanent Secretary, subject to the general direction and control of his Minister, supervises the Department or Departments of Government in the charge of his Minister. When a decision has been taken it is his business to carry it out with all possible energy and skill. The Minister takes responsibility for his Departments' acts. He submits to the Cabinet any decision which may have political implications.

(i) **Defence and External Affairs:**—These departments concerned with Defence and External Affairs are in the special charge of the Prime Minister. In External Affairs the Ministry seeks to maintain friendly relations between Ceylon and foreign countries and to protect Ceylon citizens and their property abroad. The Ministry supervises the work of the Ambassadors, High Commissioners, Ministers, Trade Commissioners, and Consuls abroad. It makes and enforces treaties and other agreements with foreign countries. It issues passports to citizens of Ceylon who wish to travel abroad. It arranges for the reception of foreign Ambassadors, High Commissioners, and Ministers. It helps to decide whether a foreign Government should be recognized by the Government of Ceylon. It gathers infor-

mation about economic, political and social conditions in foreign countries. The Ministry is also in charge of the Ceylon Army, the Ceylon Naval Force and the Air Force and in general all defence matters. The Police Department is under the same Ministry.

(ii) **Finance:**—The Ministry of Finance manages the finances of the Island. It scrutinises the draft estimates of the Annual Appropriation Bill, collects taxes, pays bills, and debts of the Government, supervises public expenditure, borrows money, as necessary, and safeguards the currency through financial institutions under its control. The Ministry of Finance under which the Treasury functions, is also responsible for Establishments and salary scales of Government Servants. The departments under the Ministry are: Treasury, Income Tax Department, Customs, Statistics and Planning Department, Information Department, Exchange Control Department, Government Press, Stores Department, Widows' and Orphans' Pension Office.

(iii) **Justice:**—The subjects and functions of the Ministry of Justice include the administration of courts of justice (other than the Supreme Court), criminal prosecutions and civil proceedings on behalf of the Government, drafting of legislation and legal advice to public departments. The departments under the Ministry of Justice are: Attorney-General's Department, Public Trustee's Department, Legal Draftsman's Department, Custodian of Enemy Property, Compensation Claims, District Courts, Magistrates Courts, Rural Courts, Fiscals' Departments.

(iv) **Home Affairs and Rural Development:**—The Ministry of Home Affairs and Rural Development is in charge of provincial administration, prisons and probation services and parliamentary elections, among other duties of a varied nature. It has under it:—Government Agencies, Excise, Prisons, Rural Development, Registrar-General, Government Analyst, Department of Parliamentary Elections.

(v) **Agriculture and Lands:**—The responsibilities, of the Ministry of Agriculture and Lands concern food production and other forms of agriculture, the custody of Crown land, the development and maintenance of irrigation, colonization and land settlement, the conservation, development and exploitation of forests, flood protection, animal husbandry and veterinary services, game sanctuaries, and elephant kraals. The Ministry has the following departments:—Agriculture, Land Settlement, Land Commissioner's Department, Survey, Forest, Irrigation, Tea Control, Rubber Control, Valuation, Agricultural Corps.

(vi) **Health and Local Government:**—The Ministry of Health and Local Government has two important divisions, i.e. (a) medical and sanitary services, and (b) local government. It is responsible for the State health services, and controls hospitals, maternity homes, medical education and research and



medical inspection of schools. It conducts health units and promotes health education. The Ministry has a general supervision of local bodies which include municipal councils, urban councils, town councils, and village committees. The departments under the Ministry are: Medical and Sanitary Services, Local Government, Quarantine, Indigenous Medicine, Town and Country Planning, Elections (Local Bodies).

(vii) **Industries, Industrial Research and Fisheries:**—The Ministry of Industrial Research and Fisheries has, among its other functions, the development and control of industries. The departments under the Ministry are: Industries, Mineralogical, Salt, Fisheries.

(viii) **Posts and Telecommunications:**—The principal function of the postal department is to maintain inexpensive and efficient public means of communication through the postal and telecommunication services. It is also responsible for broadcasting and the National Savings Movement. The departments under the Ministry are: Post and Telegraph, Broadcasting, National Savings.

(ix) **Transport and Works:**—The Ministry has, among its subjects, and functions, public works, Government roads and buildings, inland waterways, Government railways, ports, civil aviation, motor transport, electrical undertakings and harbour oil installations. The departments concerned are: Public Works, Ports, Railway, Civil Aviation, Motor Transport, Electrical Undertakings, Salvage.

(x) **Commerce and Trade:**—The duties of the Ministry are promoting and developing the Island's commerce generally. It is concerned with tourism, trade exhibitions, agricultural marketing, export and import control, copyright, patents, trade marks, business names, weights and measures, merchant shipping, registration of accountants and other commercial matters. The departments under the Ministry are: Commerce, Registrar of Companies, Government Tourist Bureau, Tea Commissioner, Rubber Commissioner, Commodity Purchase, Control of Imports and Exports, Marketing.

(xi) **Education:**—The Ministry of Education has under its jurisdiction schools, training colleges, art galleries, and museums. The departments under the Ministry are: Education, National Museums, Government Archivist's Department, Archaeological Department, Technical College.

(xii) **Labour and Social Services:**—The Ministry of Labour and Social Services concerns itself with conditions, wages and hours of work of labour. Its functions include inspection of mines and factories and working places and protecting and safeguarding of workers, unemployment, workmen's compensation, poor relief, industrial disputes and social welfare. It has three departments: Labour, Social Services, Employment Bureau.

(xiii) **Food and Co-operative Undertakings:**—The food supply and distribution are handled by the departments under the Ministry of Food. The co-operative movement comes within its jurisdiction. The departments under the Ministry are those of: The Food Commissioner (Control and Distribution), The Food Commissioner (Supplies), Co-operative Development, Registrar of Co-operative Societies.

#### Local Government

The City of Colombo (population 364,000) and the towns of Kandy, Galle, Jaffna, Nuwara Eliya, Kurunegala and Negombo have Municipal Councils. There are 37 towns whose local government is carried on by Urban Councils. There are in addition 26 Town Councils and 400 Village Committees in the Island.

The City of Colombo had a revenue of Rs. 17,503,132 in the year 1948. The Chief Executive Officer is the Commissioner. The Colombo Municipal Council has the following Departments: Treasurer's Department, Tramways Department, Waterworks Department, Veterinary Department, Municipal Engineer's Department, Assessing Department, Fire Brigade and Ambulance, Public Health including Anti-Tuberculosis Campaign, Maternity and Child Welfare and Dispensaries, City Analyst, Markets, Cemeteries, Laundries, Public Library, City Refuge.

#### The National Economic Plan

(i) **Agriculture:**—The entire economy of Ceylon depends upon her export trade in the three main agricultural industries, tea, rubber and coconuts. The money obtained by selling these three main products, as well as other exports, helps to pay for Ceylon's imports of essential commodities. Ninety-five percent of her exports consists of tea, rubber and coconuts and, eighty percent of her income is derived from these export industries. Those employed in trade and other businesses connected with the production, distribution and export of these three main industries account for two-thirds of the occupied population.

With regard to the country's agricultural resources it is necessary to discuss these in relation to (a) the total area, (b) the area under commercial crops at present, (c) the area under other agricultural crops at present, (d) the distribution and nature of the land resources of the Island, in order to determine their suitability for further development.

**Available Land:**—The total area of Ceylon is estimated to be 25,331 square miles or about 16½ million acres. The four major crops cover the following areas:—Tea 553,000 acres Rubber 573,000, Coconut 920,000, Paddy 912,000 acres. Three million acres, therefore, out of a total cultivated area of 3½ million acres, are occupied by these major crops. The area under total productive agriculture thus works out to 20 percent of the total area of Ceylon.

It is not only cultivation that takes up land space. It is estimated that roads, streams, tanks, towns and villages occupy 1¼ million acres; forests, including national reserves and sanctuaries, occupy 3½ million acres; rocky and steep land, as well as land above 5,000 feet occupy 4¾ million acres, thus making a total of a little over 9½ million acres. Therefore, out of a total area of 16½ million acres, about 13 million acres are either occupied, cultivated, earmarked for definite purposes, or uncultivable; and a balance of 3½ million acres is available for future agricultural development—an extent as large as the area already under productive cultivation.

The land surface of Ceylon is divided into two large groups, the wet zone and the dry zone. The wet zone consists of the Western, Central, Sabaragamuwa and portions of the Uva and Southern Provinces. It covers an area of 4 million square miles with a population of 3½ millions. The dry zone occupies the rest of the Island, the Northern, North-Central, North-Western and Eastern Provinces and the balance portion of the Southern and Uva Provinces. It covers an area of 12 million acres and contains a population of 3 millions.

**Wet Zone Crops:**—The wet zone is today climatically the healthiest portion of the Island and is fully developed agriculturally.

Nature has divided the Island into these two land masses differing in climatic conditions, rainfall and agricultural possibilities, through the medium of the large central mountain mass which covers an area of 3.4 million acres, above 500 feet in height. This mountain mass has affected the climate of Ceylon and its economic development and has thus shaped its civilization in the past, shapes it in the present and will continue to shape it in the future. The two great monsoons of the Indian Ocean, the South-West and the North-East, fall on these two areas in different ways. The wet zone, which gets the full benefit of the South-West Monsoon, as it lies in the southwest region of the Island, and also benefits from the North-East Monsoon, has an average rainfall of 135 inches a year. The dry zone, which by normal world standards cannot be called "dry" but is so in relation to the wet zone, has an average rainfall of about 65 inches a year.

The rain that falls in the central hills flows from them to the north, south, east and west of the Island and into the sea through the rivers which man has used through the centuries. Owing to the steepness and the unevenness of the land surface of the wet zone, cultivation depends to a large extent on the seasonal rains.

For large-scale paddy cultivation, therefore, which is the main food crop of the Island, the nation cannot depend on the wet zone. It is, however, admirably suited for the cultivation of crops such as tea, coconut and rubber which do not need a constant and controlled flow of water. The British and Ceylonese planners have made full use of these possibil-



ities. The wet zone has been fully exploited. Some of its assets such as rubber have even exhausted their usefulness and become depreciating assets in the world market. The Government, in accordance with recommendations made by the Rubber Commission, has taken action to rehabilitate this industry. Investigations are being conducted to find out what crops should be substituted if economic circumstances compel rubber to go out of production. Steps are also being taken to rehabilitate the coconut industry which now needs replanting. It has not been forgotten that though the cultivation may wither and perish away, the land, the soil, the rain and the water exist to be used by man.

**Water from the Hills:**—The dry zone, on the other hand, presents a totally different picture. The rivers that flow through the large open and flat spaces of the dry zone, such as the Mahaweli-ganga, the Gal Oya, the Walawe-ganga, the Nilwal-ganga and the Deduru Oya, to

mention the largest, draw their strength from the waters that fall on the central hills. They therefore carry a perennial supply of water.

The ancient Sinhalese who depended entirely on food crops such as rice for their existence, did not civilize the wet zone except for a few small settlements by the side of the river banks, such as the Kelani-ganga civilization of King Kelani Tissa and the Naga Kings before him. The ancient Sinhalese preferred to utilize the waters that flow through the dry zone rivers by tapping these rivers at convenient places, conducting the water through huge *elas*, river-like in their size and length, and at suitable places bunding up the water so conveyed in '*wewas*' or lakes. Every one of the rivers mentioned was so utilized hundreds of years ago. The Mahaweli-ganga and its tributaries were tapped in several places, and the early Sinhalese civilization from the Vijayan period to the end of the Polonnaruwa era, extending over a

period of 1,500 years, may truly be called the Mahaweli-ganga civilization. The value of this method of irrigation was that the water thus collected could be used by the cultivator independent of the vagaries of weather.

Today these ancient artificial lakes are being brought into use again, the broken bunds reconstructed, the *elas* restored, "the land reclaimed, and with the land the men, and with the men the race." It is anticipated that the resources of the dry zone can supply a regulated and constant flow of water for the vast extent of land that the Government contemplates bringing under cultivation in the immediate future. It is only in the dry zone that this is possible.

**Production of Food:**—It will be agreed that the first step in the official plans must be to produce food. To be self-supporting in essential foods and in the articles necessary for clothing and housing is one of the main tasks. Agricultural development for the production of essen-



tial foods will be effected in two ways. The Government has started a campaign for the intensive and scientific cultivation of the land already under cultivation in food crops, particularly in the wet zone; secondly, by developing the vast areas which are cultivable and still remain uncultivated in the dry zone.

With regard to the first, agricultural stations have been opened up in several parts of the wet zone and trained instructors go out into the villages to instruct the peasants in scientific methods of cultivation. Agricultural Producers' Cooperatives are being formed throughout the Island and, with the credit supplied through the Cooperative Banks, it is expected that their members will be able to secure the necessary finance for cultivation. Intensive cultivation in the wet zone is also made possible by the repair of elms, the building of amunas and the provision of scientific irrigation, where necessary.

Of course, the irrigation schemes in the wet zone are small when compared to those in the dry zone, but they are none the less important. For instance, the Attanagalu-oya Scheme, which has been under construction for several years and is approaching completion, is providing scientific irrigational facilities to a large population in the Western Province for their paddy cultivation. In lieu of the stick dams, modern cement dams are now being constructed to convey the water under control to the fields under cultivation. Land that could be cultivated only once a year will in future be cultivated twice a year, and the flood waters will be controlled as far as humanly possible.

In addition to the Attanagalu-oya Scheme, the possibilities of the Kelani Valley are being investigated by American experts. The necessity for scientific and intensive cultivation is clearly seen when the production figures are considered. In the Attanagalla area a fair average of yield would be 10 to 13 times the sowing extent. Ceylon figures compare very badly with those of other countries. As a result of the very strenuous and planned efforts being made to increase the yield, in some places the production which was 13 fold has risen to 30 fold.

Country	Paddy—Per acre	Fold
	in pounds	
Italy .....	4,000	77
Egypt .....	3,000	39
Java .....	2,000	22
Malaya .....	1,170	16
India .....	1,190	23
Ceylon .....	529	13

**Dry Zone Schemes:**—The dry zone schemes are in quite a different category. Large irrigation work have to be completed before the water is made available. The water when available cannot be utilized until the virgin jungle has been felled, and the land made fit for cultivation and human habitation. Errors were committed in the past, but the era of experiments has now passed. What seemed to many the foolish dreams of a visionary are no longer considered as such. Today those dreams have come true. They appear in concrete forms in the colonization schemes that dot the landscape of the dry zone. The former critics now hail them as the salvation of the people of Ceylon.

The waters of the Parkrama Samudra, one of the largest of these schemes, will cover at full supply an area of 6,000 acres. An area of 54,000 acres will once again come under cultivation when the scheme is complete. The Minneriya and Girital artificial lakes now repaired will, together with the Elahera-ela which brings water to them from the Ambanganga near Dambulla, cultivate a hitherto uncultivated area of 30,000 acres.

Similar great works are being undertaken throughout the vast expanse of the dry zone, and there are the Kalawewa, Ridibendi-ela, Minipe-ela, Walawe, all of which, though mere names and remote to the reader, represent part of the new civilization that is being slowly but surely created. The Gal-oya bund will impound the waters of the Gal-oya and bring under cultivation 100,000 acres. A similar scheme, the Embilipitiya multi-purpose scheme, will use the waters of the Walawe-ganga to provide irrigation, water and electric power for the use of man.

Within the next six years under these and other schemes the Government hopes to bring under cultivation an extent of 131,000 acres. This figure represents the actual acreage of paddy and garden lands that will be colonized. The land which will be available for colonization at the end of 1953 drawing water from the irrigation schemes that will then be complete will of course be much more. The Gal-oya Scheme, for example, will be completed at that time and by itself provide water for 100,000 acres. In the past it was the practice to complete the irrigation work first, such as the repair of a bund or the building of an ela, and, after that to cut down the jungle and make the land ready for cultivation. The water from the reconstructed wewas had also to be led by irrigation channels to the different fields that were to be cultivated. This method naturally occasioned delay. In future the construction of the wewa and its irrigation channels will proceed simultaneously with the clearing of the jungle, the building of the houses and the preparation of the land for colonization. When the Gal-oya Scheme is completed by 1953, the adoption of this new method will enable 65,000 acres to be colonized contemporaneously.

(ii) **Industries:**—The other great wealth producing activity is that connected with the industrial development of Ceylon. As in the case of agriculture, the first target of attack will be to supply as far as possible the goods that are now imported. The successful and economic production of these goods depend on various factors, the most important of which are the availability of raw material, and of the power and labour, to use that material. The difficulty of securing modern machinery is another delaying factor. Ceylon is today a free country in a position to seek the materials she needs in any country in the world, and, as in the case of the Gal-oya Scheme which is now under construction by American engineers with American machinery, she hopes to send her experts to the various industrialized countries to find out the cheapest and the best markets to purchase her requirements.

It is proposed to begin a very vigorous campaign to manufacture the by-products of salt, and provision has been made for the establishment of industrial plants for this purpose. Fisheries too are to come within the scope of modern development, and the establishment of modern trawlers and fishing vessels for which provision has been made will enable the foundations of a modern fishing industry to be established.

Sessional Paper XV of 1946 mentions that several industries, such as tile and pottery, glass and ceramics, coir, textiles, caustic soda, and a few others, can be produced with profit to compete with manufactured goods from abroad. It must not be forgotten at the same time that Ceylon has been left far behind in the industrial race, and while the Western countries and Japan were able to forge ahead owing to their free Governments, Ceylon, together with other dependent countries of the East, was unable to utilize her raw materials to the best advantage. She can, however, by artificial aid, such as restriction of imports, protective tariffs or a system of quotas, plan her industrial development at least to meet her own needs.

Before the war the only important factories (apart from factories which process tea, rubber or coconut) were one cotton mill, a few tile works, one or two match factories, one gas works, a few distilleries and engineering works. The war gave an impetus to new industries, a number of which were started by Government and private enterprise. During the continuation of the war they brought in profits, but now they are experiencing difficulties.

Today there are 10 factories owned and managed by Government giving employment to 3,372 persons. The establishment of these took place during the war and their proper progress was handicapped by the difficulty of importing the necessary machinery and of trained experts from abroad.

The future of these factories is now being reviewed in the light of contemporary conditions, and steps are being taken to reorganize a number of them on modern lines. Financial provision has been made under Loan Fund for an expenditure of Rs. 15½ million in the current year, and a large portion of this will be spent on the reorganization of the Glass, Coir, Plywood, Leather, Paper, and Ceramic Factories. Money has also been provided for the establishment of Cement (already started), Steel, Caustic Soda, Hydrogenated Coconut Oil, Textile, and Paper Factories. Expert opinion and reports have been obtained and the work is ready to begin. It is expected that within a period of 6 years the schemes foreshadowed in the Government's Plan will be completed. Direct and indirect employment will be given for an additional 18,500 persons. On the basis of current prices the products of these factories when purchased by the people of Ceylon would effect a reduction in the country's import programme to the value of about Rs. 100 million.

**Cottage Industries:**—The cottage industries movement must keep pace with the larger industrial development of the



country. One of its most important functions is to provide suitable subsidiary employment for those who are engaged in seasonal agriculture. The result will be to raise the peasant's standard of living and his purchasing power. The key to the success of the industrial development of the country is the raising of the income of the worker and the peasant so that their demand for manufactured goods increases.

From the figures cited it will be clear that very great strides have been made in the development of cottage industries. They cover a wide range from textile weaving, coir spinning, pottery manufacture, mat weaving, twine and coir manufacture to needlework. The textile industry has aroused the greatest interest and secured the largest support from the rural population.

At present there are 10,000 employed in the textile handloom industry and 50,000 in the coir spinning and weaving industry; 8,000 textile looms with a producing capacity of 10 million yards a year are working daily.

Their production of towels has been so large that steps are being taken to restrict the import of towels of similar quality. Sarees and sarongs will also be imported in diminishing quantities when the local handloom industry produces a portion at least of the 7 million yards now imported. The production for the last 12 months of textiles, mats and twine of Government and allied units realized Rs. 2,180,750. Pottery and carpentry are also important factors in the cottage industrial development. Steps are being taken to protect the local pottery industry from the inroads of foreign competition. Carpentry, although not exactly a cottage industry, has, mainly through the help of the Education Department which has placed an order for Rs. 7 million worth of articles, begun to flourish again and, with the opening of seven centres in different parts of the Island, it is expected that 2,000 carpenters who were unemployed after the cessation of hostilities will find work again.

**State Ownership and Private Enterprise:**—It is hardly necessary to say that the object of the industrial policy is to raise the standard of living. By increasing the national wealth, by preventing the flow of money from Ceylon to foreign countries and by providing employment, this industrial movement, which began during the hard days of the war and is now seeking a surer foundation will, it is hoped, travel on parallel lines with agricultural development. In an undeveloped country like Ceylon, the State must play an important, in fact the most important part, in industrial development. Government has decided that certain basic industries, such as power and heavy industries, e.g., steel and cement, and industries which provide the necessities of life, should be State-owned.

With regard to non-basic industries, the Government intends to undertake research, publish the results of that research, establish pilot factories and provide whatever help is necessary for private capital to increase the national

wealth. Government as well as private industrialists realize the need for expert advice and scientific knowledge. The Government therefore welcomes the investing of money, whether it is local or foreign, in the development of the country's resources, provided the most modern methods are used in such development. Today the State can by legislative acts control production as well as distribution, decide the location of the factories, and compel the employer to attend to the welfare of the workers. What is most important, now that Ceylon is a free country with power vested in the hands of the elected representatives of the people—a power which can be used to prevent monopolies and exploitation—is that the considerable national resources of the country should be utilized as quickly as possible for the benefit of the greatest number of its nationals.

#### National Income

The economy of Ceylon today, it is well known, is an undiversified agricultural export economy. The gross national income in 1938 was Rs. 105 per head and in 1947, Rs. 282 per head per annum. This rise does not indicate an improvement in the economic condition of the people, but reflects the wartime process of rises in prices, both as regards export and import goods. The per capita income of Ceylon in relation to the countries of South-East Asia, is second only to that of Japan and exceeds that of the Philippines, India, Pakistan, Indonesia, China, Malaya and Burma. The economic survey carried out by the United Nations Economic Commission of Asia and the Far East emphasises this fact, and gives other comparative data which are of great interest to the people of Ceylon.

It is important to note how this income is earned. In 1947 tea, rubber and coconut produced an income of Rs. 807 million and other exports Rs. 85 million. The income from the production of goods retained, services, &c., was Rs. 1,167 million. Though this figure is high in comparison to pre-war figures, since prices went up higher than the rate of income increase, it may truly be said that the national income in physical quantities was really less than in 1938.

It would be a correct estimate therefore to say that 63.4 percent of this income was derived from industries, 11.3 percent from trade and transport, 3.3 percent from the Public Services and liberal arts, and 1.8 percent from fishing. Those employed in trade and other business connected with the production, distribution and export of the three main industries comprise two-thirds of the occupied population. The war years somewhat disturbed this structure when

there was a flow of the rural population into work created by war conditions in Ceylon. This process has now been readjusted. The war therefore made no permanent change in the occupational structure of the country.

The national income is the first factor to be considered. The national income of Ceylon in 1944 was estimated at Rs. 1,842 million and in 1947 at Rs. 1,969 million. These were rough estimates. The present figures for 1948 and 1949-50, based on the census statistics are—

	1948	1949-50
	Rs. million	
1. Domestic exports less imported materials used	917	880
2. Locally-produced articles consumed in Ceylon	498	522
3. Trade	190	190
4. Transport	110	110
5. Professions	31	31
6. Personal and domestic service	50	50
7. Capital development	120	190
8. Government	272	289
9. Income from abroad	31	31
10. Foreign military expenditure	53	30
11. Total gross national income	2,272	2,323

#### Gross National Expenditure

	1948	1949-50
	Rs. million	
1. Value of imports of food and other consumption goods including import duties	929	929
2. Distribution costs	150	150
3. Consumption of local produce	556	580
4. Personal and domestic service	50	50
5. Housing	48	60
6. Central and Local Government current expenditure on goods and services	397	466
7. Remittances abroad	70	60
8. Dividends and interest payable to non-residents	80	80
9. Gross capital formation at home		
	1948	1949-50
A. Govt	80	173
B. Private	100	125
	180	298
10. Nett increase in foreign assets	35	127
11. Less import and excise duties	223	223
12. Total gross national expenditure	2,272	2,323

The expenditure relevant to the main elements in the new Budget are as follows:—

	1948	1949-50
	Rs. million	
1. Private consumption	1,510 (66.5%)	1,546 (66.6%)
2. Private capital	100 (4.4%)	125 (5.4%)
3. Central and Local Government (Current Services)	397 (17.5%)	466 (20.1%)
4. Central and Local Government (Capital)	80 (3.5%)	173 (20.1%)
5. Balance of payments items	185 (8.1%)	23 (0.5%)



These figures indicate that in the coming year money will be spent on food, clothing and other items included under consumption expenditure equal to what will be spent during the current year. Expenditure on capital works by private individuals, that is, on buildings, equipment or factories, and organized capital expenditure by the Central and Local Government authorities will increase to Rs. 173 million in the new year. The more important expenditure to be considered comes under the heading of capital expenditure, both private as well as public. It is here that Government can most easily influence expenditure in such a way as to ensure employment.

#### Revenue

At present Government revenue amounts to 30 percent—indeed a very high ratio—of the national income, which

is estimated at some Rs. 1,400,000,000. It should be raised by more than Rs. 1,000,000,000 if the Government is to secure the additional revenue required to meet the anticipated liabilities on the assumption that the proportion of national income appropriated for Government purposes is maintained at the high ratio of 30 percent; but in order to provide an additional income of this magnitude, a national investment of the order of Rs. 3,000,000,000 will be required over the next ten years. A tax ratio of 30 percent to the national income is considered high in a poor country where the per capita income in 1938 was about Rs. 100 a year, when even in a country like the United Kingdom with a much higher income level representing a per capita income of Rs. 1,500 per head in 1938, the tax ratio was only 23 percent.

Summary of Revenue  
(Rs. million)

Period	Total Revenue Rs.	Ordinary Rs.	Extra Ordinary Rs.	Tax Revenue Rs.	Non-Tax Revenue Rs.
1936-37 )					
1938-39 ) .....	116.5	111.8	4.6	84.1	32.4
1946-47 .....	457.7	424.2	33.5	391.2	66.4
1947-48 .....	441.6	421.1	20.4	378.9	62.6

These figures can further be divided into direct and indirect taxation. The following table gives this classification along with the tax structure which shows the percentage shares of the various kinds of taxes and receipts which make up the total revenue. It is seen that direct tax revenue now accounts for about a sixth of the total revenue while

Income Tax, Estate Duty and Stamps yield an eighth of the total tax revenue.

Non-tax revenue such as Postal, port and other miscellaneous receipts contribute another eighth. Receipts from indirect taxation amount to about two-thirds the revenue, of which half comes from import duties.

Period	Tax Revenue			Direct Tax		Indirect Tax		
	Percent- age	Rs. million	Rs. million	Percent- age of Income	Percent- age of E.P.D.	Percent- age of Imports	Percent- age of Revenue	Non-Tax Percent- age
1936-37 )								
1938-39 ) ....	72.2	18.8	65.3	16.1	15.0	56.1	44.1	27.8
1946-47 .....	85.5	98.4	292.8	22.2	12.4	63.0	36.4	14.5
1947-48 .....	85.9	78.4	100.5	17.9	13.4	63.0	34.9	14.1

Taking the revenue as a whole today, it is almost four times the revenue of the country in the year 1938-39 when the World War began. The reason for this rise, first, is the general rise in prices, and, secondly, increased taxation imposed during the war. The additional tax measures introduced from 1939-40 cover a wide range, such as the increase of Customs duty on luxuries, increase of income tax, postal rates and export duty on some of our exports. Thus on the basis of estimates of yield of the taxes at the time they were introduced, the annual yield of additional taxation imposed from 1939-40 to 1946-47 amounts to Rs. 195.0 million.

Direct taxation therefore seems to be the country's main source of additional revenue in the future. This form of taxation comes from trade, industries, agriculture and professions. Here, too, certain considerations must be kept in

mind. The development of direct taxation should be such that production is not hampered. If it is hampered the very source from which the revenue is expected will dry up. Even assuming that the burden is not going to be too high, we must remember that the incidence of that burden may vary greatly from industry to industry and as between different groups and different industries.

During the war, Government expenditure rose because of the rise in prices, increase in establishment charges and expenditure on economic development and social services. There was a corresponding rise in Government revenue and the following figures indicate the nature of that increase:

Expenditure		Revenue	
1938-39	1948-49	1938-39	1948-49
	(Rs. million)		
127.1	530.3	116.9	534.8

Of the total revenue, 88 percent comes from tax, and 12 percent from non-tax revenue, such as Posts and Telecommunications, Ports and other miscellaneous receipts. Of the Tax Revenue, direct taxes contribute 21.3 percent and indirect taxes 66.7 per cent of the total revenue. There is therefore no fundamental change in the make up of the total revenue compared to last year.

The revenue for 1947-48, 1948-49 and 1949-50 amounts to Rs. 1,665.6 million, both actual as well as estimated. The expenditure keeps pace with the revenue. During the balance years that are left, up to the end of the financial year 1952-53, though it is not possible to predict how world events will affect the country, it seems a reasonable assumption that the revenue will not fall below Rs. 525 million a year. During the balance three years therefore Ceylon will be spending out of revenue a sum equal to Rs. 1,575 million. Under Loan Fund Expenditure Ceylon has been, and will be, spending actual, as well as estimated, the following sums:

	Rs. million
1947-48 .....	70.5
1948-49 .....	96.0
1949-50 .....	168.0
Total .....	334.5

During the balance three years it is planned to spend the monies that will be subscribed to the new loans that are to be raised amounting to Rs. 400 million. It is therefore seen that, during the period of the Six-Year Plan, on revenue as well as loan account Ceylon's expenditure will be almost Rs. 4,000 million. These sums which are the earnings derived from the national wealth created in this country can, of course, be supplemented in the case of unforeseen circumstances, as in the case of a trade depression and difficulty in balancing payments with other countries, by help from the International Monetary Fund which Ceylon proposes to join, and one of whose functions is provision of short-term foreign exchange assistance to members to overcome a temporary disequilibrium in their balance of payments.

The services performed by Government departments entail expenditure of large sums of money. The Central Government employs directly 32,000 persons in the discharge of duties which the people have given it. Municipal Councils and other local bodies also employ thousands. Education, public health, food subsidies, development schemes, maintenance of roads, the police, land settlement—all these services require a large outlay of public funds.

The main sources of Government revenue in the year 1947-48 were—

	Rs.
Import duties ...	177,015,350
Export duties ...	136,740,140
	(113,261,097 from tea)



The increase in expenditure on various Government services over the past 10 years is indicated by the following figures :—

	1937-38 Rs.	1947-48 Rs.
Education .....	17,876,711	84,732,362
Labour & Social Services .....	61,158	12,692,165
Health and Local Government ..	15,451,458	71,765,192
Agriculture and Lands .....	8,389,513	47,681,421
Food & Co-operative Undertakings .....	210,526	(About Rs. 60 million in 1948-49)
	1937-38 Rs.	1947-48 Rs.
Industries and Fisheries .....	545,745	7,740,499
Post & Telecommunications ..	7,494,698	23,134,650
Transport and Works .....	17,414,148	66,604,821
Excise .....	Rs. 46,771,049	
Income Tax, Profits Tax, &c. ....	104,189,475	
Port dues .....	10,085,770	
Licences .....	4,005,073	
Postal Services ...	16,340,588	

The main sources of revenue of Municipal Councils and other local bodies are—Assessment Tax on property, Entertainment Tax, Vehicles Tax.

#### Employment Budget

The Budget does not confine itself merely to drawing up estimates of the Government's own revenue and expenditure for the coming year, but considers, on the one hand, the total income of the community, and, on the other, its total expenditure under the various heads that will be indicated. Here are the main elements that enter into the formulation of this new budget. They are—

- (1) Private Consumption Expenditure, that is, the ordinary expenditure of the community on food, clothing, rent, amusements, and so on.
- (2) Private Capital Expenditure, that is, on buildings, machinery, and so on.
- (3) Central and Local Government Expenditure on current services covered by taxes or other public revenue, as for example, on Education, Medical and Social Services, Defence, and so on.
- (4) Central and Local Government Capital Expenditure, that is, expenditure by the State and Local authorities on buildings, machinery, roads, public utilities, and so on, covered by loans.
- (5) Balance of Payments, that is, the difference between exports and imports, both visible and invisible. This is included, because exports involve labour, but not expenditure at home and imports vice versa.

If at a given level of wages and prices to ensure full employment, all the kinds of expenditure enumerated above add up to an ascertainable figure, then two things follow. One is that a Government which wishes to secure full employment must be prepared to influence one or more of these five types of expenditure in order to see that the necessary expenditure is incurred, and the other is that the Government must be in a position to know with a certain amount of accuracy what amount of expenditure is being incurred under each head in each successive period. The Government after estimating private expenditure must then propose public expenditure which will suffice together with the estimated private expenditure to secure full employment.

This involves a change from the established practice, namely, that State expenditure must be kept down to the minimum necessary to meet essential needs and that State income and expenditure must balance each other. The essence of the new budgeting policy is that the budget is made with reference to the employment of man-power and not to money alone. The target of full employment is necessarily restricted by the limits of the national income, by lack of certain essential statistics which itself is due to the backwardness of the economy, and the inability to secure the necessary equipment and trained personnel for the fulfilment of the Government's programme of work. For the first time, however, the Government starts by affirming that one of its primary aims and responsibilities is the maintenance of a high and stable level of employment. To achieve this, it affirms the second principle—that out of the national income a sufficient amount must be spent to enable the wages of the whole working community to be paid. The adoption of this method of control over the entire economic life of the nation means that the States must control prices and interest rates, and, if necessary, it should influence private investment as well as the capital expenditure of local authorities. The latter is being done now, and the former may need a National Investment Board. Finally, wage rates must remain stable, that is, labour and trade unions cannot be allowed to exploit a situation in which full employment may give them considerable bargaining power; nor can attempts at disrupting the national economy and destroying the country's earning power be allowed to bring misery to the people.

The conditions mentioned must be reasonably satisfied without which the basis of the projected plan will not exist. Of course, it would have been better if annual Government and local revenue and expenditure on capital account could have been segregated from the current items and presented in a separate capital budget. It may be possible to show such a system of accounting in the years to come and thus avoid one of the prejudices of the public against a budget in deficit which may be necessary to fulfil the full employment policy.

The present economic plan indicates in broad outline the Government's policy in regard to the future development of the country's resources. It is a human plan with the defects which all human endeavours are heir to, conditioned further by limitations imposed by the existing wealth and the potential resources at command. The Government can honestly claim, however, that in the preparation of these plans, the single purpose of doing the greatest good to the greatest number has influenced its decisions. The very essence of the plan is the bringing into productive use as early as possible the wealth with which nature has so richly endowed the land—the land that lies uncultivated and the raw material that is buried unmanufactured. The cultivation of three million acres of land, an area as large as is now in use, is not impossible today if it was possible in the past. The primary target is the developing of a new extent of 130,000 acres with the hope of accelerating the rate of yearly progress as modern machinery becomes increasingly available. Unlike in the Wet Zone where land was sold at nominal rates this land has been secured for ever for the people. The new wealth that is to be created will be widespread in its distribution. The development of the national industries too, will hasten their progress. The plan outlined above will increase the national wealth by Rs. 100,000,000. Here too, the fruits will belong to the people, for, the national resources will be utilized by the State, with State aid, or under State control, thus avoiding the evils which followed the 19th century industrial revolution in the West.



## Technical Co-operation under the Colombo Plan

Mr. E. J. Toogood, Interim Administrator of the Council for Technical Co-operation under the Colombo Plan, has announced that Australia would be sending an Offshore Fisheries Research Officer and an Educational Consultant to Ceylon shortly. Mr. Toogood also stated: "As reported recently, there will also be an actuary coming out to Ceylon from the United Kingdom to advise the Government on its social insurance schemes. Four scholarships for training in Australia have also been accepted, and officers from Ceylon will soon be proceeding for courses in Veterinary, Sugar Technology, Census and Statistical work and Plant Physiological Chemistry. Another will be proceeding to Calcutta for a course in statistical work.

"Together with the dental nurses and the three persons undergoing further training in teaching in Australia, the total number of trainees to benefit under the Technical Co-operation Scheme is fourteen. Of the other member countries of the Council for Technical Co-operation, India has accepted an offer of a Tractor Management Consultant from the United Kingdom.

"A four-member survey team, consisting of Australians and New Zealanders, has already arrived in Pakistan to assist that country, while agricultural experts have also been sent there from Australia in connection with a model farm scheme, called the Thal Project. Australia is

also sending a Geological team of three, an Educational Consultant and a Horticultural expert to Pakistan.

"India has accepted thirty trainee scholarships and Pakistan thirteen under the Australian Fellowship and Scholarship Scheme. The majority of these trainees are to be trained in work connected with food production. Action is proceeding on 81 additional applications and the decision of the Asian countries is awaited in respect of 44 specific offers made by Australia, Canada, New Zealand and the United Kingdom.

"Fifty fellowships and scholarships have been offered by Canada, and of this India has already accepted five. These scholarships would be more acceptable to Vietnam, which is the other member of the Council, as Canada is the only Commonwealth country which could easily provide study courses in the medium of French. In addition to experts, the U.K. has also offered to provide the services of firms of technical consultants to assist in the development projects of member countries. Other offers received by the Council are 3,000 technical and scientific books by Australia, training courses in mining by the United Kingdom National Coal Board, courses in meteorology and trade promotion by Australia, courses in statistics and road engineering by India, and a Commonwealth scholarship scheme by a British group of Electrical Engineering Companies."

in close co-operation with Standard Motor Products (India) Ltd., and a Ferguson assembly plant has been established in Madras.

These associated bodies are arranging for the manufacture of complementary Ferguson agricultural implements, are developing educational and public relations branches and are initiating research into India's farming problems so far as they concern mechanisation.

India's population has trebled since 1850, and at some 362,000,000 has increased by 42 million in ten years. The Bhor Report on India has recommended "a relentless pursuit of measures" to increase agricultural productivity. With some 100,000,000 people on the verge of starvation, India needs some 65,000,000 tons of cereals yearly for human consumption, according to the Report. To help in this colossal task, the vast Ferguson Organisation is lending its technical skill, sending both personnel and implements, while Indian students are being sent to England to study at the Stoneleigh Abbey farm training school of the Ferguson organisation in Warwickshire.

As far as action on Government level is concerned, agreements have so far been signed by India, Pakistan and Ceylon. The Government of Ceylon concluded a standard general agreement for technical co-operation with the United States under the Point Four programme on November 7th, 1950. The agreement set forth the conditions under which the United States is to provide technical training for nationals of Ceylon and the services of American technicians to assist Ceylon to carry out its development plans. These include major plans for increasing food production by bringing more land under cultivation, and raising production through improved farming methods.

A pioneer in the introduction of the Ferguson system to Ceylon is the Prime Minister, Mr. Senanayake, who some time ago imported Ferguson tractors and implements for his own farm.

The bilateral agreement signed in December, 1950 by India and the (U.S.) Technical Co-operation Administration provides a framework into which agreements or specific technical co-operation projects will fit, and for the services of American experts and for the technological training of Indian nationals. India is submitting to the U.S. a proposal for agricultural and transportation development. It is expected that 150 Indian experts and technicians will go to the U.S. during the next two years for consultation and advanced study.

Pakistan's agreement, signed in February, 1951, requested technical assistance for an agricultural project.

## American Aid to S. E. Asia

General agreements relating to technical assistance under the United States "Point Four" Programme have been signed by several Commonwealth countries in South-East Asia who are also participants in the Colombo Plan. Proposals made by President Truman in the fourth point of his inaugural address to the United States Congress in January 1949 called for a programme by which technical assistance would be provided for the economic development of underdeveloped areas. This is now known as the Point Four Programme which is being implemented by the (U.S.) Technical Assistance Administration. For the fiscal year 1950-51 the Point Four appropriation was \$34.5 million, which includes a \$12 million contribution to technical assistance programmes being carried out by the United Nations specialized agencies. At the meeting of the Consultative Committee on Economic Development in South and South-East Asia at Colombo in February, the United States representative said that his Government would co-ordinate its own programmes of aid for the area with those to be carried out under the Colombo Plan.

The Point Four programme is designed to provide technical assistance for projects which will contribute to economic development in South-East Asia. It does not provide financial assistance for the projects themselves. Under the

general Point Four bilateral agreements entered into by the recipient countries with the United States, separate agreements will be made to cover specific projects. The original (U.S.) technical assistance programme called for technical assistance financed by the United States Government, while capital investment would be encouraged from private sources. A different programme has, however, been developed for South-East Asia, based on the recommendations of the Griffin mission, a United States economic mission which spent March-April 1950 in the area. In addition to technical assistance the new programme will provide enough equipment and supplies to get major development activities under way at once.

Foremost among organisations providing capital investment and equipment from private sources to help in the development of Asian countries is the Ferguson Organisation which has established a network of agencies throughout India, Pakistan and elsewhere in Asia, for the modernisation of their agriculture and for increasing and lowering costs of production by the Ferguson System of complete farm mechanisation. Thousands of Ferguson tractors and implements have been shipped to India in recent months. A new Ferguson company—Harry Ferguson (India) Ltd.—was established in October last year at Bangalore to work



## CEYLON'S LAND IRRIGATION AND UTILISATION SCHEME OF GAL OYA

There is a romanticized, but stagnant river-valley off the Eastern coast of Ceylon which is today the hub of a great experiment. This experiment plans for the control of a 62-mile long river called the Gal Oya and the basin-wide development of its catchment of 700 square miles. Its purpose is the utilization of over a quarter million acres of moisture-starved irrigable and high land to be a servant of thrifty agriculture and industry. Both in magnitude and administrative set-up, this multi-purpose development and land colonization scheme differs fundamentally from anything that has hitherto been put into operation in the Island, states Mr R. L. Brohier, O.B.E., F.R.G.S. (Member of the Gal Oya Development Board) in the course of his book "The Gal Oya Valley Project in Ceylon," published by the Ceylon Information Department.

The scheme began years ago with reconnaissance and survey; it was studied from the angle of drought and floods—twin enemies which rob a nation's food-supply and defeat the agriculturalist; it materialized in the enthusiasm of post-Independence, and as a fitting long-term means to bring home to the common man the first-fruits of economic freedom. Ceylon's agricultural background lent the project zeal. Unlimited opportunity which was not there before was provided by a free Government, subject to no exterior authority.

From authorized studies, experiments and blue-prints, the enterprise was carried further in 1949. Away in forest back-blocks, 27 miles from the coast, a well-planned construction-village now called Inginiyagala, with water, sewage and light, sprang into being. There followed workers, engineers and technicians from America, with a supporting line of skilled and unskilled labour recruited locally. Ever since, diesel driven bull-dozer, graders, dredgers and other machinery have been wrestling to dig up and move earth. In like manner with inexorable clatter and screech, diamond core drillers, stone crushers and concrete mixers, have been working on scarped cliffs and dark tunnels. They are all operated by men who had learnt a modern knack of organization and execution. The object is to put a yoke on the river by building a dam to hold up the Gal Oya waters, which are now almost completely wasted in flood.

In Ceylon, where the conservation of water, by damming rivers has been, from time immemorial, the pet schemes of kings and governments of the day, such an undertaking cannot be counted original. However, in the present attempt to straddle the Valley of the Gal Oya we undoubtedly have something sensational.

The earthen dam is 3,600 feet long, and 154 feet high in the maximum section across the river. It is 800 feet wide at the base and 30 at the crest. Five million cubic yards of earth have to be hauled from distances up to a mile and a quarter up-stream from the dam to construct it.

Astronomical figures are often apt to sound meaningless, so let's look at it another way—a thousand men, working every day, using mamoty and basket, will take 13 years to move that content of earth.

But there is no mamoty or basket in the modern picture. A mechanical device known as a "loader" pulled and pushed by tractors, combines the process of digging the earth and raising it sufficiently high so that it can be tipped into mechanized dumpers. The dumpers, called for short "Euclids" after the manufacturer—and not the Greek geometrician, carry 13 to 14 cubic yards of earth. They are each in turn, filled by the "loader" in 40 seconds. But there is more in this colossal physical undertaking to raise the dam than dumping earth. Each layer must be carefully spread and rolled.

Tradition holds that ancient engineers consolidated earth-bunds by driving flocks of sheep and herds of goats or neat cattle over them. The modern adaption of this old-time method is what is called a tandem sheep's foot roller. The earth dumped by the "Euclids" on the bund and levelled by bull-dozer, is compacted by these rollers. The moisture content is carefully watched. In dry weather, water is applied by sprinkler wagons. A sheep's foot roller does 10 runs or more over every layer of earth laid on the bund. Their cylinders are filled with sand to produce the light pressure natural to the ancient method.

The team brought over by the American contractor—Messrs. Morrison Knudsen International Company Incorporated of San Francisco, number about 60. They take turn day and night in 8-hour relays. In this fury of construction, the Ceylonese worker has himself proved that all he lacked in the past was opportunity. He can be seen working in the most alarming places as driver, driller, steel-erector, or concrete setter, but with triumph in his tense, weather-beaten face at having proved himself 100 per cent, skilled labour for the future. Ask him what are his conditions of service. He will reply; "hired, tried, and fired" entirely on the basis of merit. Visitors to the works will today see this dam, on which the fate of the Valley depends, raised to within 20 or 30 feet of its crest level. The gap through which the waters of the Gal Oya run down their ancient course, is where the dam will close. In this gap the engineers will first build a coffer dam and work inside. This in effect is a temporary dam thrown around the construction area to clear it of water. When this routine of dam building has been completed, the river will have yielded to the hand of man. The depth of the tank at this spot when the water rises to full supply level will be 125 feet.

Amid the litter near and about the point where the axis of the dam ties up to high ground on the left bank, it is possible to pick out the intake structure, and the 13 feet diameter conduit taking shape. The latter, when passed into the downstream slope of the dam, will feed

the four turbines which will bring 10 thousand kilowatts of electricity into the picture. The water discharged through the tail-race below the power-plants added to that which is passed through two irrigation outlets, will eventually be diverted at a bifurcation into a right and a left bank channel. These irrigation channels will be to agriculture what the power transmission lines will be to industry.

### The Spillway Dam

Across a rocky gap in the northern flank, the engineers are working on the spillway dam, of gravity section and a crest length of 770 feet. Here, the tail-water, or over-flow, from the tank will run into the Namal Oya, a tributary which joins the Gal Oya below the dam. The slanting concrete finish on the down stream slope of this structure, is euphemistically called the "spill-way bucket." The transition of the spill-water to the rocks below will by this means be made in a gliding motion on the principle of a mat slide, terminating in a local phenomenon called a Hydraulic-jump.

In the past, so far as it is possible to tell, the maximum effort in reservoir construction produced a sheet of water 10 square miles in extent with a shoreline of 20 to 30 miles, and a capacity of 113 thousand acre feet. In comparison, the Gal Oya Reservoir will have a water-spread of 20 square miles as against 10, and a storage capacity of 770 thousand acre feet as against the 113 thousand. The lake will moreover be 11 miles long, 7½ miles from shore to shore at its widest point across, and will end on a liquid contour which, at full supply level will be 60 miles long.

### Unique Project

Hence, in the entire field of irrigation engineering in Ceylon, ancient or modern, the first place for immensity of undertaking, for the highest bund accurately proportioned to a purpose and built for strength, or for the largest lake, will shortly be claimed by the Valley of the Gal Oya.

So far, it is just this construction, the product of an art and science brought near to perfection in 20th century America, but practised 2,000 years ago in Ceylon, which keeps attention focussed on the Gal Oya Valley. Nevertheless, he who sees the task going forward may well be excused for wanting to take off his hat, and pause as he passes the construction-village to see more of this spirit and atmosphere of America. It is visible in the better-typed houses, fronted by trim flower-plots, and fitted with electrical labour-saving equipment; refrigerators, vacuum cleaners, and provision for air-conditioning, which may well be expected to raise the envy of any Ceylon housewife. It is sensed in the name "Los Angeles Street" and even in the nostalgia behind the crazy sign post which carries the legend—"To Colombo 268 miles." If luck is good and you are invited in, it may be sampled in a well planned canteen complete with "Juke-Box" and "Soda-fountain." While the one plays you the latest American hit, the other will produce delicious Sundae; or frozen fruit cocktail to wet your parched, dust-coated throat.



### Possibilities of Tomorrow

We turn from these certainties of today, to the latent but nonetheless heartening possibilities of tomorrow. Around each year for the next decade, 25 thousand acres of near-waste and semi-arid land mosaiced by small patches of dry-zone forest, matted thorny jungle, and tracts of tree-spangled lemon grass—locally called dammana, must respond to a unified plan for the use of this Valley's resources. There will follow the lay-out of colonist's allotments, the location and construction of roads, the building of 2,500 cottages each year, and the grouping of tracts into community settlements with the necessary schools, recreational and cooperative centres, maternity and medical services, and other amenities calculated to bind the peasant to the soil. These and even more, the old problems of irrigation, and the new one of electric power generated at the dam, with many another associated with land and water, would be a colossal undertaking, too big for the usual Government operation. And so, on the map of the Gal Oya Valley, over the area extending from the divide way back in the central mountains where lie the tea estates of Dehigala, Roeberry, Elemana, and Dunedin, reaching eastwards almost up to Batticaloa on the coast, and as far south as the Heads of Komari; the name of a new planning agency came to be written—The Gal Oya Development Board.

### The Development Board

An Act, which received assent in November, 1949, made provision for the area of authority of the Board to be declared by order of the Minister of Agriculture and Lands. It gave the Agency its set up, wide powers. It provided the Board with its own fund which will include such sums as may be voted by Parliament for its use. It vested in the Board several functions which will make all the latent possibilities and resources of the Valley work together for the benefit of the people.

But it is from the more explicit direction of the Minister of Agriculture and Lands that one gathers the principal object of the scheme, namely, "to establish within the area of authority the maximum number of families of Ceylon citizens that the area can carry at a reasonable standard of good and comfortable living conditions" and generally to promote agricultural and industrial development, and the economic and cultural progress of these citizens.

It must necessarily take the Gal Oya Development Board some time to settle into its stride. In essence, its purpose is to show the people who will make the Valley their home, the road to self-sufficiency and independence. Those dreams would come to nothing unless the people were themselves persuaded that what was being done and proposed was good.

### The Task of the Future

The words of promise which are to bring rehabilitation to the Gal Oya Valley and make it a nation's agricultural and, may be, industrial nerve-centre, will perhaps in actuality begin to come true about the end of 1951. There will then be water held back by the

dam, ready to pass through the penstock and move, as it must, seeking lower level.

The revelation of that promise conceived on the newest ideas of treating entire riverbasins as natural units, and fostering orderly and proper physical, economic, and social development within those basinwide areas, has devolved on the Regional Development Board which the Gal Oya Act has set up.

By the Act which provides for its establishment, this Board consists of four members who are appointed by the Minister of Agriculture and Lands, one of whom he names Chairman. Of these four members, one is nominated by the Minister of Finance, and might be his Permanent Secretary, or any other officer of the General Treasury.

The need for one controlling authority for the development of an undeveloped or under-developed area has long been felt in most countries. Although the United States of America was the first to seek a solution and created the Tennessee Valley Authority by an Act passed in 1933, Ceylon might have done it seven years earlier. It was Sir Hugh Clifford the then Governor of Ceylon, who suggested the creation of a "Development Board" under a triumvirate of three members, with identically similar powers as the Gal Oya Board has, and funds to spend on the agricultural and social rehabilitation of 200 square miles of country in the Wet Zone. The idea behind the present set-up is consequently old in story, but never before was it locally translated from the region of academical discussion into that of actuality.

Thus clothed "with the powers of Government but possessed of the flexibility and initiative of a private enterprise", the Gal Oya Development Board has to prove itself a yard stick in the task set it, namely, "to promote agricultural and industrial development, and economic and cultural progress in the Area of its Authority."

This is indeed a large order when applied to a country where respect for traditions is hard to convince and agricultural problems are numerous and complex. The Board met and organized on December 21, 1949. It is, therefore, still very raw material and an institution on the threshold of its responsibilities.

Beyond this point there is really no story to tell. Besides what is being done to blue-print ideas and ideals, major effort is concentrated on the collection of material, data and equipment for the rapid development of land now in jungle, and for planning the Gal-Oya Valley of tomorrow.

The first hurdle the Board had to face was the recruitment of trained and experienced man-power. The second, that of equipping itself with modern mechanical aids which will overcome difficulties associated with the maintenance of a large labour force, reduce the time-factor and substantially lessen the cost of the work. It has succeeded in no more than just clearing both these hurdles, by mobilizing a nucleus of both man and machine for carrying the work beyond aspirations and plans.

In the temporary construction-village and offices which the Board has erected at Amparál, civil, irrigation, forest and electrical engineers; agronomists, architects, surveyors and agricultural officers are employed on the technique of Planning each their part of the project on paper or by personal experiment, with definite target dates. All Ceylon is regarded as "pilot plant" to determine how varieties of crops behave under different conditions of soil and climate. Simultaneously, in the field and workshop nearby, complex machines are being handled by Ceylonese workers who are acquiring, under expert advice some of the technical "know-how" in operating and maintaining them.

If you wander today in the Valley of the Gal Oya, you will hear the roar of these diesel-driven caterpillar tractors already set to work. They can be seen excavating and moping earth for constructing roads and channels, logging in the tank-bed forests, and thus helping elephants and men to remove the valuable timber before the waters rise. Equipped with a wide variety of ancillary fittings and contrivances these "cats" as they are called—short for caterpillar, pull down trees, root or harrow deep into the soil, dig ditches, build bunds, and angle-doze or level whole fields. The great flexibility the locally recruited operators have acquired in handling these heavy machines and parts, goes to show how easily even a conservative people can be made machine-minded.

### Two Crops Each Year

The geographical limits which can be commanded by an irrigation system from the dam of the new reservoir under construction extends northwards almost to Batticaloa, and southwards beyond Potutivil. It is an extent clearly greater than water in the reservoir could supply. The limitation of the scheme is therefore, the amount of water available in the tank, not the land, which for all practical purposes is unlimited. It is reckoned that the reservoir will provide sufficient water to grow two crops of rice each year on 60 thousand acres. By introducing water conservation and economy in irrigation, which is unknown in Ceylon today, the Board expects to increase this irrigable command.

The conservative Ceylon peasant can hardly be expected to view any curtailment of his two-crop paddy cultivation system with favour. Actually to take two crops of rice or even one crop every year on the same land, is deemed agriculturally bad practice. Consequently it has been decided not to issue water for two paddy crops each year. This will obviously go a long way to save the land from exhaustion without appreciable loss in output but it will not be so simple to put into practice. The peasant will not know the advantages, not all at once, but eventually, when from demonstration plots the contagion of ploughing, planting and harvesting, followed by a rotation of crops in the right way, begins to catch, it will be made clear that the Development Board has merely endeavoured to attain another of its principal objects, namely, that of



organizing within its Area of Authority a system of planned cultivation of the most suitable crops, arranging for such rotation that in its judgment shall appear wise and profitable.

Hence, what holds for the present is that by exercising restrictions on the issue of water from the reservoir 120 thousand acres of irrigable land can be cultivated from October to April in paddy, and rotated with other crops which can be profitably cultivated from May to September in paddy fields, with half the amount of water required for a paddy crop.

The sugar industry, which everyone wishes should go ahead, has provisionally been allowed 27 thousand acres of irrigable land, and since it is also an object of the programme to demonstrate that it is the fertilizer which steps up statistics of production, 9 thousand acres have been set apart for green manures at a maximum lay-out of half an acre-foot of water. In other words this will represent as much water as is required to drown an acre of land  $\frac{1}{2}$  a foot. This tentative estimate of land devoted to the cultivation of sugar cane will depend on a report of the expert who has been called in to advise.

It is possible that the responsibility of nursing such an industry would be greater than the Development Board can be expected to undertake in addition to its other duties. Therefore the general view holds that a Ceylon Co-operation should be formed for the purpose, based on inviting investors from foreign countries to find half the capital of possibly 50 million rupees required and inviting Government or the Ceylon public to furnish the other half.

#### The Peasant's Part

But, since it is the peasant-settler alone who must eventually awaken this river valley to more vigorous life and the Development Board is there merely to drive a policy looking to the time when the people will be able to do things for themselves, provision has to be made to give them partnership, within the meaning of the term co-operative.

Agreement has been reached regarding the design and construction of the two canals which will afford security to the irrigable tracts. This task, by direction of the Minister, has been vested in the Irrigation Department. The canal on the left bank, which will command two-thirds of the irrigable area, will have a bed-width of 50 feet from the bifurcation below the bund to the 13th mile. It will be 8 feet deep, carrying 3,000 acre-feet of water in 24 hours. In other words, this canal will completely drain Ceylon's largest capacity tank, the Parakrama Samudra in 30 days. On the unit of allocation to each colonist of 4 acres of irrigable with 3 acres of unirrigable land, and allowing for roads, channels, villages and towns, the maximum extent of high and low land to be developed will be about 200 thousand acres. To this formidable task which faces the Board, namely, that of clearing, rooting and rendering this land ready for cultivation by plough, there is added the responsibility for designing and con-

## CEYLON ECONOMIC REPORTS

### FINANCIAL POSITION

"Ceylon's domestic financial position is in many respects fully as sound as its international financial position", states the first Annual Report (for the year 1950) of the Monetary Board of the Central Bank of Ceylon. The report states: "The general soundness of the economy may be illustrated by reference to some ratios which give a rough indication of the country's relative financial strength. For example, Ceylon's external assets at the end of 1950 were equal to 92 percent of the value of its 1950 imports. To be roughly in the same position an individual would have to have enough money in the bank to buy his usual household needs for almost an entire year. When the Ceylon figure is compared with the corresponding figures for other small countries that are also highly dependent upon international trade, Ceylon shows up rather well. For Belgium the percentage is 39 percent, for New Zealand 41 percent (1949) and for Denmark only 12 percent (1949). On the other hand, for Switzerland, a country noted for its financial strength, the figure is 145 percent."

Referring to the money supply position, the report states that the supply stood at Rs 642.1 million in January,

structing an irrigation distribution and road system, of erecting about 25 thousand colonists' cottages and of building houses in the headquarters and all the small towns. To be able to do this on 20 thousand acres of land a year seems a fair target when development is well under way. The full scheme of development will therefore take at least 10 years to accomplish.

### Three Hundred Colonists

The initial try-out which the Board has set itself to do is to place 300 colonists on the land by the middle of 1951. Open tracts, in what was dense jungle, are even now emerging day by day. Teams of five 130 h.p. Caterpillar D-Eights, each 18 tons in weight, are using the latest technique of jungle clearing by working along lanes, dragging 220 feet of heavy ship's anchor chain on swivels.

From the outset each unit of irrigable and high land being brought under development is envisaged as a whole. Next to clearing will come the burn, then the roads, the irrigation distributing and drainage system, and the colonists' cottages. It is then, and only then, that the colonists will be brought in, and set to carry out the pre-arranged cropping programme. They will, it is hoped, do so under the best possible guidance the Board can procure, and with adequate provision made for everything necessary for success. Organizing bodies for selling the produce at remunerative prices and co-operative facilities have not been overlooked in building the picture. Thus, in essence, no stone will be left unturned to show the people who will make the Valley their home, the road to self-sufficiency and independence.

1950, and Rs 881.1 million in December, 1950, as compared with Rs 589.6 million and Rs 640.2 million in January and December, respectively of 1949. Analysing the causes of the increase, the report attributes three factors for it, namely (1) the monetization of a portion of the surplus in Ceylon's Balance of payments, (2) the expansion of bank credit through the acquisition by the banking system of additional domestic earning assets, and (3) the reduction in the Government's rupee cash balances.

The report adds: "The emphasis of this report upon the problems of the rising cost of living and the expanding money supply should not divert attention from the inherent strength of Ceylon's present financial and economic situation. The country as a whole is better off, both in terms of money income and real income, than it was a year or two ago."

### COLOMBO PLAN EXHIBITION

A Sub-Committee of the Cabinet appointed to make the necessary arrangements in connection with the exhibition to be held in Colombo under the Colombo Plan, decided to hold it at the Victoria Park, Colombo, in early February, next year. The Exhibition will illustrate the steps that will be taken under the Colombo Plan for the economic development of South and South-East Asia. A feature of the Exhibition will be an International section where each of the participating countries will have a stall of its own. The provision for entertainment will be on a large scale. An attempt will also be made to depict cultural and historical backgrounds of the various countries taking part. Most of the Colombo Plan countries have expressed their interest in the scheme, and it is expected that there will be a very good response. All the Ministers in the Ceylon Government will be playing an active part in the organization of the Exhibition and various sub-committees will be formed.

### GOVT. FINANCE

The total revenue in February, this year, amounted to Rs 63,994,670 as compared with Rs 41,737,438 in February, 1950. The main sources of revenue were: Customs—Rs 37,941,112; Income Tax, Estate Duty, Stamps, Excess Profits Duty etc.—Rs 10,890,213; Railway revenue—Rs 4,637,419; and Excise and Salt—Rs 3,730,373. The total receipts in February amounted to Rs 74,262,483. This was made up as follows:—Revenue—Rs 63,994,570; Excess of Credits over Debits in respect of Advance Accounts and Token Votes—Rs 1,780,974 and Excess of Payment over Receipts—Rs 8,486,839. The main items of expenditure in February were: Food Subsidies—Rs 11,814,504; Education—Rs 10,520,199 and Medical Services—Rs 4,760,532. The expenditure on Loan Works amounted to Rs 9,309,397.

### RAILWAY PASSENGERS IN 1950

Ceylon Government Railway reports for the year 1950 a total of 24,316,510 passengers travelled by the Railway



## ECONOMIC DETERMINISM FORCED UPON CHINESE HISTORY

BY JOSHUA LIAO

The section on Chinese History under the article "China" in the Russian Encyclopaedia, Vol. XXXII, published in December, 1936 was translated by Ohashi Tetsuzai into Japanese and from the Japanese version was made the Chinese translation by Hui Ming-chun and published first in August, 1949 by the Yunghsiang Press, Shanghai. Comprising 186 pages, the book is a symposium by three different authors:—Chapter One by Grousset, Chapters Two, Three and Four by P. Grinaivitch, and the last two chapters by V. Kchumoff. In the work the Russian historians attempt to apply the materialist conception of history to the narration of the 40,000-odd-year history of China. Because tinged with inextricably subjective colours of dialectic materialism and economic determinism, the accomplishment is not any narration of objective facts; rather it is a deductive interpretation. In consequence, by virtue of irrational exaggerations, optional selections, and worst of all forced subtleties has economic determinism been forced over on Chinese history. Where the authors' dramatization appears smooth, the story is more than entrancing; but once the Procrustean efforts fail, it becomes something like a patched-up old wives' tale. Come what might, when foreign scholars have achieved systematic results in the study of Chinese history, and particularly if they have applied a specific viewpoint to their interpretation and narration such as for instance in putting Chinese wine into Soviet bottles, the accomplishment successful or unsuccessful, beautiful or ugly, is worth a scholarly appreciation.

At the outset the author from a scientific viewpoint asserts that all historic materials for the pre-Yin eras are legendary. Then he proceeds to say, "The Yin society was controlled by the hereditary king and the elders' council which restricted his powers" (pp. 5-6). On the contrary, he says the system of inheritance of the throne from elder to younger brother can well warrant the vestiges of matriarchal rights and group marriage. This way of interpretation is like "catching winds and grabbing shadows" and, moreover, contradicts the system of hereditary monarchy. Again it is true that almost every new Yin King upon his accession would move the capital to a new place, yet the so-called "slave labour turning from bad to worse" was groundless. Which is not a sheer exaggeration but

an instance of building a castle in the air.

The so-called "Ts' ang" (bondsmen) and "Huo" (bondswomen) during the Yin and the Chou Dynasties mostly hailed from among war captives. Aside from the nominal division of Gentry, Farmers, Craftsmen and Tradesmen there were no such a distinct class as called Slaves. The occasional sale of poor girls into slavery or prostitution appeared in antiquity as at present. But their children were free people. The mother of the First Emperor of the China was one of those unfortunate women. To support the assertion about the existence of the slave class the author especially quotes the notorious communist propagandist Kuo Mo-jo, not minding that Kuo's whole materialist conception of history is another case of putting white wine into a red bottle!

During the days of the Yin, Chou and Spring and Autumn, charioteers were employed as the main body of fighting forces. By the time of the Warring States Ch'in and Chao learned the cavalry's efficient mobility from their repeated battles with the Western and Northern Barbarians and thereafter began to stress the use of cavalry. Nevertheless, the author writes that riders of chariots were serfs and farmers while leaders of the charioteer formations were jockeys who belonged to the Gentry Class and that at the opening of the Warring States Era the feudal lords as their strife became worse began to emphasize cavalry and by the 4th and 3rd centuries B.C. turned to light-armed footmen whose source were naturally derived from the feudal substrata. Here one just wonders on which classics or documents the author has based his knowledge of the evolution of Chinese warfare. It seems that the Soviet historians have not come to know that in those days what was called one chariot in China consisted of one armoured cart carrying 13 armed men and followed by 72 foot-soldiers and that horseback-riders appeared later among the fighting units. This system of national military conscription was not inaugurated by Ch'in and Ch'u as asserted by the author (p. 9) but existed almost from time immemorial.

The use of iron according to this book did not spread far and wide till after the Warring States Era began. Here the author evidently mistakes iron for steel. For iron itself was already widely used early in the Chou Dynasty. Further says the book that during the Warring States Era with agricultural implements improved, domesticated animals employed in tillage, and industrial productivity increased, the feudal lords fought for territorial aggrandizement in order to gain economic profits. Yet who dare to ascertain that none of the state-rulers in striving for hege-

mony harboured no vanity at all? That Russian historians and social scientists always stress avarice only but never vanity, is one of the beaten tracks of economic determinists.

Likewise, the book says that the founder of the T'ien Clan in the Ch'i State started as a slave. Nonsense! Whoever has read ancient Chinese history knows that he was an exiled prince of the Ch'en State seeking refuge and later becoming naturalized in Ch'i during the reign of Duke Huan and was subsequently put in charge of public works by Kuan Chung. In those days of inter-state anarchy Confucius's proposed road to political order was a conservative way; whereas Kuan Chung, Shang Yang, Han Fei and Li Sau advocated bureaucratic despotism. Of this point the author's understanding is clear and correct.

Ch'in by applying the Law of Lord Shang became able to centralize its administrative powers and attain wealth and strength, till at the time of Cheng it annexed all the other states. However, because it had overworked the people and drained the financial resources it provoked malcontents to rise, who, according to this book, were mostly drafted from among the paupers and partly from among the remnants of the previous nobles. Not true in fact. Chang Liang, the instigator of the assassination of the First Emperor of Ch'in at Sandy Hill and subsequently supporter of Liu Pang to found the Han Dynasty, and Hsiang Yu who reinstated a Ch'u prince on the throne for raising the flag of justice were both aristocrats. Ch'en Sheng who started the trouble appeared from among the land-tillers, but his followers were more a mob than an organized army. It is an exaggeration to call the movement agrarian.

The Han Court in the beginning simplified laws and regulations and abolished many taxes and services. But, according to this book, before long it began to employ slave labour. Further the author talks emphatically about defeats, debts, and criminal offences as sources of slaves and also about the existence of slave-markets in the capital (pp. 16-17). Such a kind of forced analogy is up to blow the reader at one hop from Changan (present Sian) to Rome. Again, the author says many rich men of those days had thousands of slaves. Which makes the readers wonder if the author were picturing the cotton plantations in the South of the United States before Lincoln's time and entitling them "Han Landlords' Estates". Many cavaliers in those days would rally round local princes and powerful nobles and actually work for them but were not slaves.

During the early years of the Han the clan-strife between the Lius and the Lus was not exactly caused by the will to power and profit as the book says, but mainly due to the abnormal psychology of the Empress Dowager Lu. Like Empress Wu Tse-t'ien and Empress

during the period October 1949 to September 1950 as compared with 26,232,329 persons who travelled by the same mode during the previous year. The total receipts from passenger traffic in 1950 amounted to Rs 21,741,876, as compared with Rs 20,982,861 during the previous year,



Dowager Tzu-hsi of subsequent ages, she was what modern psychologists could call a "sadist" enjoying atrocities and cruelties as substitute outlet for suppressed desires. With her hidden grudge against the first Han Emperor Liu Pang turned against the whole Lius, massacre began. In subsequent decades, Princes of Wu, Ch'u, etc. rebelled as provoked by the new system of centralization, the will to power rather than profit being the main motive. Still later, Emperor Wu-ti dispatched expeditions, whose motive was not avarice but vanity. Subsequent improvements in trade and traffic were merely incidental. However, on account of enormous military expenditures the state treasury was almost emptied, so that in Wu-ti's later days there began debates on the state monopolies on the manufactures and sales of salt, iron and the like. Yet the pros were opposed mostly by landlords, merchants and conservative Confucians. Ironically enough, the greatest advocate of such policies was the then premier Sang Hung-yang, son of a rich Loyang salt-merchant. As to why he acted against the economic interest of the merchant-class, the present book attempts no interpretation.

The author says that Wang Mang was a clansman of Wu-ti and attempted new great economic experiments after his predecessors' repeated failures to rescue public finances out of difficulties that had set in during Wu-ti's later years. This is equivalent to "seeing ghosts in broad daylight." A maternal relative of Emperors Hsiao-ti and P'ing-ti and later than Wu-ti by almost one century, Wang Mang was no blood-kin to Wu-ti nor should his relationship by marriage through his aunt be reversely traceable. Besides, his basic motive to act humble to everybody and kind to all scholars in the beginning and enforce land-reforms later was to win the people's hearts so as to consolidate the Empire under his Hsin Dynasty. Once he grabbed the throne, his private desires began to supersede his public interests. His subordinates and domestics, too, followed his example, committing all kinds of outrages, till gentry and commons were disappointed and alienated and even farmers supported Liu Hsiu, a remote member of the House of Han, to recover the throne from him. Thus, the causes of political order and chaos in those days were largely either the harmony or discord of emotional impulses between the government and the governed. Clashes in economic interest were rather consequences of the revolution and counter-revolution.

The Later Han like the Former Han Dynasty upheld Confucianism. Wang Chung, advocating the kingly way and benevolent government, was Confucian. As he took a minutely critical attitude and insight scrutinizing all historical documents and classical works with no reserve and denouncing all groundless tales and talks, he developed a system of positivism somewhat like that of the 19th century French philosopher Comte.

He never said the ultimate reality of the inverse was matter. Yet the book calls him a materialist exactly as a blind man when catching an elephant by its ear calls it a lotus-leaf-shaped animal. Most of the economic determinists in interpreting historical events and social phenomena are like this.

The Later Han like the Former Han in the later years had many widows and orphans with the immediate result that during the Former Han powers fell into the hands of outside relatives and during the Later Han into those of the eunuchs! With the reins of government broken there burst out the Yellow Turbans' uprisings. The movement was led by heretic Taoist fanatics called Taiping Taoists, but the book again calls it a farmers' movement. Those so-called "feudal lords" who raised armies from all over the Empire to settle chaos were not hereditary barons but district-governors; whereas the author perforce maintains that each feudal state was itself a basic economic unit (p. 24). As a matter of historical fact, before the chaos was settled at all, the local leaders started scrambling for powers, each recruiting his partisans and extending his sphere of influence. Finally, there were left three major parties occupying three different regions: Ts'ao Ts'ao who led the bureaucrats occupied the North; Sun Ch'uan who represented local powerful clans occupied East China along the lower Yangtzu valley, while Liu Pei calling himself a remote of the ruling family led a group of popular patriots finally into West China. Each grew into one country. Equal in strength for contesting supremacy, they fell back separately and became politically independent. There was no economic class-struggle whatsoever.

After a short-lived re-unification another barbarian invasion befell North China, which, according to the Russian authors, was due to the Chinese invitation and colonization of barbarian immigrants in place of slave labourers. So all barbarian devastations of North China were tantamount to slave-rebellions, they say. In fact, the Three Kingdoms Era already witnessed several invitations of foreign troops by Wey in the North and Shu-Han in the West. After Chin's re-unification garrisons in three northwest were undoubtedly loosened, so that non-Chinese elements could come and go and those barbaric chieftains residing on the Central Plains availed themselves of every opportunity to grab the reins of government. Practically all rulers of the sixteen states that rose and fell during the three-century schism were of noble blood and responsible for no "slave-rebellion" if any. After the re-unification of North and South the Sui Emperor Yang-ti provoked "the farmers to launch the final assault against the Empire" (p. 31). However, the Duke of T'ang, Li Yuan, and his son Shih-min, who raised armies, founded the T'ang Dynasty, and built the culturally and militarily greatest Empire

in Chinese history, had nothing to do with slavery at all.

"The T'ang Empire took private land-ownership for its basis, whereby the solid organization of bureaucratic feudalism was accomplished . . ." (pp. 31-2). During the T'ang bureaucratic government existed but there was no vestige of feudalism in the sense of the Warring States. Besides, the civil service examination system was completed and enabled to select the worthy and employ the capable, so that all talented boys, however humble in origin, could expect to pass it and enter public service. Opportunities for self-elevation being open to all, no other Chinese form of democracy could exceed this. Yet the Russian scholars perforce declare, "Personal relationships and money bribes had great influence upon the results of the examinations" (p. 34). But they cite no fact in illustration of the statement. Evidently ignored is the fact that each candidate was known not by his own name but by an assigned number and his answer had to be copied by an unacquainted government clerk before shown to the chief examiner—usually the prime minister.

An Lu-shan's rebellion during the later years of the T'ang Emperor Hsuan-tsung was not due to any economic motive, every Chinese knows. But to suppress it, the T'ang Court had to invite foreign troops and vest military leaders with powers, which drained the state treasury and finally drove the T'ang to an end. Unable to bear the burden, people became discontented with the status quo, not to mention rich merchants doing usury. In 874 Wang Hsien-chi and Huang Ts'ao rallied malcontents round their standard of rebellion and launched what the Russian historians called a farmers' war. After Huang Ts'ao's death in 883 his nephew Huang Hao carried on guerrilla warfare until 901. The twenty-odd years' rebellion that destroyed most of the Tang cultural achievement appears so tasteful to the Soviet Russians that with respect to their confiscation of landlords' estates and rich men's property everywhere (p. 40) the book eulogizes their deeds by saying, "In the history of farmers' movements there appears a brilliant page and their leaders happened to be some of the best leaders in the history of such movements (pp. 40-1).

During the later years of the T'ang and the five short-lived dynasties tribesmen outside the Great Wall flourished, so that all mass-struggles after the beginning of the Sung Dynasty occurred between Chinese and non-Chinese peoples. But the Russians again write that according as class-war became tenser and tenser Wang An-shih rose to submit and enforce his reform-measures. In so doing they mistake a causal relation in Chinese history.

After the Sung moved southward scholars and warriors advocated an immediate war of revenge. The expeditionary forces led by Yo Fei, Tsung Ts'e, and the like were dubbed by the



Russian historians "dandy columns," which deserves a big laugh. Though army commanders might have been dandies, yet their rank and file could not necessarily be called "dandy columns." Besides, Yo Fei, though his father had been a very wealthy man, born and raised in needy circumstances on account of natural mishaps and warfare and so did not deserve to be called a dandy himself. Now, Marx and Lenin were both born of wealthy families. To call their partisans dandies would be absurd, indeed!

As the Sung fell, the Yuan rose with the Mongols ruling over China. During the latter half of the alien dynasty, in addition to political oppression economic exploitation turned from bad to worse. Again the mass-struggle appeared between Mongols and Chinese, government and people. The man who finally succeeded in replacing the Mongol Throne was Chu Yuan-chang known as Min; Tai-tsu. He had hailed from among poor farmers, but after his ascension he at once appointed his twenty-four sons to different feuds. Why is it that the poor farmer-emperor never attempted any physiocracy nor thought about agrarian welfare, the economic determinists never explained the reason which they ought to have done. Towards the end of the Ming the expedition to Manchuria drained the national finance, exhausted the people, and finally provoked Li Tzu-ch'eng and Chang Hsien-chung to rebel, whose rebellions the book again calls "farmers' wars." Of course, in every age of Chinese history nine out of ten Chinese civilians were farmers and bearers of arms were recruited from farmers' sons. But it is similarly indisputable that practically all government forces were called to the colours from the rural districts too. Who represented whom? Only Heaven Knows. Why should the dialectic materialists call only the rebels farmers?

During the first two centuries of the Ch'ing Dynasty most of the mass-struggles happened between Manchus and Chinese, government and people, too. Meanwhile, the book talks about the Shansi bankers so elaborately as comparable to the Wall Street financiers, and affirms that these landlords who owned tens of thousands of mou of arable land were not rare which makes another exaggeration. The book then says that secret societies had farmers as their rank and file and their anti-Manchu sentiments began to grow only after the middle of the 18th century. This is a terrific reverse of cause and effect. Most probably the Soviet Russian historians of China have never made a systematic profound study of the secret societies of political nature in the recent three-century history of China. Anyone who has never dug deep into this subject, if he attempts a good understanding of the Chinese "Revolutionary Movements" during the Manchu Dynasty, would either reverse cause and effect or turn out superficial conclusions.

When Shih K'o-fa martyred himself amidst Manchu invaders at Yangchow in 1645, his subordinate Hung Ying then outside the city evaded the disaster and at once organized the Ming Society (Ming Hsie) with a view to reviving the Ming but soon fell in action, too. He left five eminent disciples, Ts'ai Teh-ying, Fang Ta-ch'eng, Ma Ch'ao-hsing, Hu Ti-teh, and Li Shih-k'ai, who first went to Nanking to serve Prince Fu and later ran to Amoy to follow Koxinga. In 1661, Koxinga on the eve of his departure for Formosa gathered in the Hall of Ming Future (Ming Yuan T'ang) built on the top of the Golden Terrace Hill (Chintai Shan) at Quemoy 4,000-odd leaders of Ming patriots to swear their joint-initiation into the newly-organized T'ien Ti Hui (Heaven-Earth Society), (subsequently also known as Hung Men Hui) (Ming Loyalist Society), and then dispatched these five comrades and compatriots back to the Chinese Continent to take charge of underground work—particularly in organizing all kinds of anti-Manchu and pro-Ming secret societies, e.g. San Tien Hui, Ko Lao Hui, San Ho Hui. The hitherto well-known "Five Founders of Hung Men" were exactly these five men, and their followers have up to this day worshipped Shih K'o-fa as their literary sage and Koxinga as their military sage.

Such being historical facts pertaining to antecedents and consequences, all secret society members would prefer principle to money and even risk lives for the sake of their conviction. Their supreme political motive was not materialistic at all. Whoever is willing to lose his own life for the sake of any faith, principle, or tradition, is not a materialist indeed. The true materialist would like Yang Chu refuse to remove an hair from his shin to benefit the world, but, instead would enjoy himself with beautiful clothes, delicious food, a comfortable abode, and attractive women, not to speak of martyring himself for any tenet of faith. Therefore, the materialistic Communists, who talk about confession, re-education, self-examination, and self-sacrifice for principles, if indeed at all, are already good idealists but no longer materialists!

A discussion on the Taiping revolutionary movement ought to take secret society members as such for its basic factors. If the so-called poor farmers from the beginning wanted land-ownership, why is it that while in Kwangsi they did not ask Hung Hsiu-ch'uan for immediate land-reform? Unless by reversing cause and effect, the materialistic historian can hardly carry through the interpretation of the whole movement. If approached from ideology, religion, and various other social forces as motivating factors, then the whole movement becomes comprehensible at once. In fact, both the communistic institutions and land-reform laws aiming to socialize land-ownership proclaimed after the settlement of the capital in Nanking were rather based on the Christian tenet of faith in universal love and mutual aid

and had nothing to do with Marx's dialectic materialism and economic determinism much less due to the joint-requests of the rank and file to satisfy their economic desires. The later opponents of the Taiping rebels who were mostly composed of the Hunan and Anhui troops were, no doubt, farmer-boys. Just because their commanders Tseng Kuo-fan and Li Hung-chang were in thought and principle diametrically opposed to Hung Hsiu-ch'uan and Yang Hsiu-ch'ing, they had to fight their fellow land-tillers. From this alone, it is often discernible that the so-called class-struggle, international war, and inter-racial hostilities are fundamentally due to the manipulation of different emotions and ideas by a handful of leaders. But who dare to make such a hasty conclusion that those few men's warlike motives are "purely materialistic"?

The international rivalry in China following the Opium War was, according to Red historians, due to such economic motives as to grab new markets and raw materials. In fact, vanity was again not negligible. For instance, what could have been the economic motive back of the Italian anxiety to lease the Choushan Archipelago when all the best seaports had been opened and dominated by other Powers? As to the discords between China and the Occident, a calm critic cannot but trace them to the basic differences in idea and institution. With the Chinese regarding every foreign country approaching the Celestial Empire as a prospective tribute-paying dependency and with the Occidentals considering the Chinese one of the coloured peoples and therefore inferior by birth, if neither refused to condescend to the other, showdown with arms was the only eventually alternative. Clashes in economic interest could be one but not the only factor of the discords. The Boxers emerged from among secret society members, their motive to "support the Manchus and annihilate all foreigners" being fanatic rather than economically calculated.

Following the Boxers' failure, China was almost partitioned by the Powers but for the United States' opposition and advocacy of the Open Door Policy. According to the Soviet historians, the American Government had the ulterior motive "to place the whole China under American imperialism and nothing else" (p. 101). Such a scandal is the same as to shout "Robbers" while robbing—the more so as nowadays Red China behind the iron curtains has become a Soviet vassal.

The successful revolution of 1911 was traceable to the original hope of the Chinese for overthrowing the Manchu Court and reviving Ming rule and included members of all classes and many secret society members in its rank and file. But the book calls it "the Chinese Bourgeois Revolution" (p. 106, 121) so as to contrast it with the subsequent "Proletarian Revolution." If any historian distorts the antecedent in order to glorify the consequence, he might as



well accuse an innocent man falsely and inflict an unjust penalty, which every scholar should loathe. To call farmers and workers whoever took part in the anti-Manchu movement participants in class-war, that is almost the same as to fan flames out of ashes. Any halucination as such contradicts Marx's "scientific spirit" to the extreme.

The doctrine of "land-ownership-equalization" was not the only slogan of the recent Chinese revolutionary league as the book says (p. 114), but one of its main gists. True, after the establishment of the republic, because the ideology was not thorough and the organization not solid, the doctrine was never carried out nor did it appear on the provisional constitution, till the revolutionary party compromised with the old bureaucracy led by Yuan Shih-kai and gave Yuan ample opportunity to aggrandize himself. Such discrepancies between word and deed constituted not only the main cause of the failure of the revolution but also a symptom of the way the Nationalist Party degenerated into a new bureaucracy. Against this the Communists who have replaced the Nationalists and claim to serve the people seem to take precautions. "Will the Liberation Army Change its Qualities?" has been one of the subjects for small group discussions to the students of every political university and therefore deserves careful consideration.

After Yuan Shih-kai's death the warlords for ten full years kept scrambling for power and profit. Right after the outbreak of the May 4th Movement "there was formed the National Industrial League uniting all Chinese bourgeois classes" (p.128) while the Chinese Communist Party was also organized. The then struggle between the warlords in the North and the Nationalists in the South was not an economic class-war, however. In view of the imperialists' oppression and the Communists' influence Sun Yat-sen put the Nationalist Party onto a new track and also infiltrated his partisans among farmers and workers.

In 1923 the Nationalists and the Communists for the first time collaborated. The former adopted a pro-Russian policy and admitted the Communists into their own party with a view to securing Russian aid and mastering the Communist methods of propaganda and organization; the latter aimed to share the Nationalists' arms and powers and also to expand their own influence through sentiments of Chinese nationalism and patriotism. Contrary to this, the book perforce says, "Because the Chinese Communist Party upheld the struggle against imperialism, the slogan of struggling on a united front for national liberation finally became the supreme doctrine of the Nationalist Party..." (p. 137). Another nonsense! Such seems to make another evidence of "mistaking guest for host." As early as three centuries ago, the

minute the Manchus entered the Great Wall and usurped the Ming throne the anti-imperialist struggle in the recent history of China opened its curtain. There has been no need of importing any Marx or Lenin-made brand for its sign-board. The book similarly says, Chiang Kai-shek, a subordinate general of Sun Yat-sen and the principal of the Hwangpoa Military Academy, at the head of the students' corps could route Ch'en Ching-ming's remnants really because workers' organizations had helped them. In this connection, whether the author is guilty of "claiming merit without corresponding work," specialists in recent Chinese history, Chinese or non-Chinese, can easily prove.

As a matter of historical fact, the Nationalists and the Communists though in collaboration were friendly on face but opposed in heart. The former wanted to exterminate the warlords, inaugurate the National Assembly, and abolish the Unequal Treaties; the latter took nominal part in the national revolution only to take orders from Soviet Russia particularly concerning its foreign policy. Before the Mukden Incident Russia had been mainly at variance with Great Britain, so the Communists were chiefly anti-British. After the incident Japan and Russia confronted each other while all the Chinese rose in a united spirit against Japan which gave the Communists a golden chance to grow for ten-odd years. After VJ Day, as conflict between America and Russia turned worse and worse, the anti-American movement has been growing by leaps and bounds. Of course, if British, Japanese, or American imperialists, or imperialists of any other colour, are actually invading China, every patriotic Chinese ought to oppose them. However, to take every order from the Russian imperialists and consider it patriotic is only a way of self-deception. "Long live Stalin! Long live Soviet Russia, our Fatherland!" the Chinese Communists shout, forgetting that none of Wang Ching-wei's partisans in Nanking during Japanese occupation ever said, "Long live Emperor Showa! Long live Japan, our Fatherland!" Besides, they claim themselves to be thoroughly anti-imperialistic. Yet against the neighbouring weak and small countries like Korea, Formosa, Tibet and Indo-China they are attempting all kinds of imperialistic aggression. Again shouting "Robbers!" while robbing, the scandal is becoming the laughing-stock of the world—a pity and a shame. Of this kind of historical fact, the reviewer wonders what defence the Russian scholars will attempt.

Within three months following Sun Yat-sen's death in March, 1925 there broke out the May 30 Incident. Therefrom ensued the deep and swift infiltration of both Nationalists and Communists among the masses of the people and preparation of routes for the Northern Expedition that started the following year. About the same time the open strife and hidden war between Wang

Ching-wei and Chiang Kai-shek that lasted for nearly two decades began. Commanding no armed forces, Wang had to turn left and make friends with the Communists first, then with the Fourth Army, then with Generals Yen Hsi-shan and Feng Yu-hsiang, and finally with the Japanese in order to oust Chiang. By the time he allied with the Japanese he hoisted the anti-Communist standard. While the book ends with 1935, it remains to be known how the various authors of this book feel about Wang's defection.

As to Chiang Kai-shek: Tricky and treacherous by nature, he can go right or left only if sure of attaining and maintaining his political supremacy. On the way of the Northern Expedition the Nationalists and the Communists marched abreast. By the time the Communists' accomplishment and popularity began to somewhat outweigh the Nationalists', the quarrels began. In April, 1927 Nanking and Hankow split, each purging adherents of the other. The book then says that Chiang Kai-shek surrendered to Anglo-American imperialists and compromised with the Shanghai Chinese bourgeois. Besides, it quotes Stalin saying, "Chiang Kai-shek's defection meant the start of the revolution of the united front of the whole nation to turn into the revolution of the majority of workers and farmers—another farmers' revolution. Thereupon the latter gained its strength and expanded its struggle against the warlords and the anti-revolutionary gang led by Chiang Kai-shek" (p. 160). True, Chiang Kai-shek changed, but in a different way: for two decades abusing democracy for despotism, supporting private proteges, and consolidating his own powers. Finally, the Chinese people became unable to bear his tyranny. Even many of his henchmen and kinsmen turned against him, till he had to seek shelter in Formosa which shows that Heaven's vengeance is slow but sure. On the other hand, the Chinese Communists since the last few years seem to have walked right into the same foot-steps. Thus, the destiny of China has not reached its journey's end of an ordeal yet. Squeezed between the devil and the deep sea, the KMT and the CCP, all the Chinese civilians can do is to groan against their birth in a wrong age!

Soon after Nanking and Hankow split, the Communists began to have their own dissension, too. According to this book, Ch'en Tu-hsiu and T'an P'ing-shan adopted a sort of surrender-policy while Yeh Ting, Ho Lung and others decided to continue their armed struggle against the Nationalists. About the same time the Communists withdrew from Wuchang and Hankow, Kuomintang leaders like Madame Sun Yat-sen and Teng Yen-ta who wanted to maintain the alliance with Soviet Russia and admission of the Communists withdrew, too. At the end of 1927, following the reunion of Nanking and Hankow, the Nationalist regime severed



## Reports from Thailand

### Rice Exports

In January 1951 exports of rice from Thailand totalled 119,500 tons, the highest for any January since before the war. The Government has raised its official rice export target to 1.3 million tons, or 100,000 tons more than last year's target. Of this quantity, 1.2 million tons have already been contracted for shipment: 415,000 tons to British territories; 300,000 tons to India; 100,000 tons to the Philippines; 50,000 tons to Indonesia.

### Tin Production

With increased production of tin ore, the Thai Government's income from royalties in 1950 reached Baht 56 million, a post-war record and Baht 18 million more than the budgetary estimate.

Actual production of tin ore in 1950 amounted to 241,022 piculs or 14,394 long tons.

### Rubber Output

The rubber output in Thailand during 1950 amounted to 110,000 long tons, or an increase of 14.6% compared with the figure of 96,000 tons in 1948.

### ECA Purchase Authorisation

The Thai Govt. has been allocated US\$ 602,000 by the Economic Cooperation Administration of the United Nations for new purchase approvals, which included US\$549,000 for purchases of construction, mining and conveying equipment, irrigation equipment, air compressors, and coal and related fuels in the U.S. and its possessions.

### Cooperation with the United States

For the purpose of speeding various phases of the joint economic programmes to be carried on with American assistance, twelve sub-committees have been organized representing the US Govt. and the Thai Govt. These sub-committees are: Foreign trade, manufactures, mining, electric power, agriculture, health, education, railways, highways, telephone & telegraph, ports & harbours, and critical materials.

The agricultural committee and other related sub-committees will also have representatives from the United Nations organizations concerned, to ensure that all programmes are coordinated and developed on a complementary rather than a competing basis with the United Nations.

## Japanese Newsletter

### INDUCTION OF US CAPITAL:

American banks are likely to give Japan a total of some \$400-million short-term credit a year on a commercial basis to be used for imports of key raw materials. President Gerald F. Beal and Vice-President Marc Gardner of the J.

diplomatic relations with Moscow, with which event the book closes an important chapter.

Between 1928 and 1935 internal dissensions and factional wars among the Nationalists were worse than either the KMT-CCP duel or the Sino-Japanese clashes that appeared after the Tsinan Incident. But the book keeps exaggerating the rise and growth of farmers' movements and class-wars—the same rut which needs no further comment.

The Chinese translator at the end of the book says, "In a book of one hundred thousand words, the authors attempt to apply the materialist conception of history with correspondingly concrete and rigid narration to a strict and accurate comprehension of the social development in every age according to certain basic principles. . . ." (p. 182). To him it is more than good enough to be a Chinese middle school text. It appears however that the Russian scholars have over worked themselves but accomplished no merit. As a historical romance, the book might be worth reading after sipping hot tea. Should it be regarded as representative of scholastic attainment in present day Russia the book could make only the Russian counter-part of Chiang Kai-shek's *Destiny of China* which actually Tao Hsi-sheng wrote for him.

Henry Schroder banking corporation now visiting in Tokyo said that GARIOA and government-to-government aid should be replaced by private loans as soon as possible. They told Hideo Sudo, chief of the Economic Stabilization Board that the projected \$400-million credits will be sufficient to serve Japan's current needs and added that US banks will likely extend long-term loans to Japan after her economy is stabilized. Beal and Gardner admitted that the Defense and the Army departments in Washington apparently are planning to let Japanese industry produce war supply goods. But they added that the US credits now under negotiation have nothing to do with such Washington plans.

**SHIPPING EXPANSION PLAN:** The Economic Stabilization Board announced that Japan will need 300,000 tons more ocean-going vessels to import goods from areas other than Red China. The board said that it was forced to rewrite its 1,936,000-ton shipping expansion program in the 3-year economic self-supporting plan initiated from this fiscal year chiefly because of suspension of trade relations with Red China. Japan will have to buy 52,000 tons of iron ore, 213,000 tons of coking coal, 44,000 tons of salt and 40,000 tons of soya beans from countries other than Red China during fiscal 1951. The shortage of bottoms to import these goods will amount to 252,000 tons, ESB revealed. Furthermore it said that Japan will have to import these goods in fiscal 1952 and 1953 10 percent to 20 percent more than in 1951. As a result, the total shortage of bottoms will be some 300,000 tons, ESB added.

**NEW SHIPPING ROUTE:** Japan has been authorized to reopen her shipping route to Pakistan and India, the fourth

lane since the war's end. Major ports to be touched on the new line are Keelung, Hongkong, Singapore, Madras, Colombo, Bombay and Karachi. In authorizing the Japan-Pakistan line, GHQ said that it may be extended to the Persian gulf if shipping volumes increased within the next three or four months. Japanese vessels will likely haul machinery, general merchandise and chemicals on their out-going voyage and return with raw cotton. Nine vessels of NYK, OSK and Kokusai Maritime Transport have been assigned for the new route. Meanwhile, the Okinawa route was first reopened last September, followed by the South American line last November and the Bangkok line in February this year.

**COMMUNIST PARTY CRACK-UP:** The crack-up of the Japan Communist party from within drew wider public attention as some 200 publishing companies reportedly prepared to sue the party's treasury for some ¥10-million reparation. The split of the party became conspicuous when the leadership recently denounced six internationalist candidates for the local elections as "fake" and "cat's paws of the imperialists" seeking to frustrate the popular front in Japan. According to the publishing companies, the feuding orthodox and internationalist factions embezzled the proceeds of the Communist-operated Central bookstore in Tokyo to promote misused the proceeds of the book sales coming in from local bookstores and their own causes. The Red book-dealer is said to owe the 200 publishers some ¥10 million. The internationalist faction controlling the party treasury last spring various labour unions and organizations throughout the country. Informed of this, the orthodox group directed the local book dealers not to remit their proceeds to the Central bookstore. The result was the close-up of the bookstore and suspension of payments to the 200 creditor publishers.

**TRIAL OF WAR CRIMINALS:** Trial of the Japanese war criminals by Allied nations excepting the Soviet Union and Red China ended on April 19 when Australia completed all action against Japanese felons. Japanese war criminals who have gone through the Allied axes numbered 5,000, of whom 1,000 were sentenced to death, 400 to life imprisonment, 2,700 to jail for shorter periods and 900 were acquitted. Of the 1,000 sentenced to death, 850 have been executed, 60 still remain alive in the Philippines and 12 in Australia and 78 given lighter sentences. At present 1,333 criminals are serving their sentences in Sugamo prison, Tokyo and 718 in jails overseas.

**EXPORT PLAN:** Japan has been placing emphasis on industrial plant exports since early 1950. A total of \$18,720,000 worth of plant equipment was exported to various countries from April to October last year, especially to nations in Southeast Asia which are speeding their economic independence, according to the International Trade and Industry Ministry. The previous year's figure totaled \$26,640,000. Of the total, dynamos and transformer substation equipment accounted for \$570,000, spinning machines \$2,590,000, rolling



## JAPANESE COTTON & RAYON TEXTILE POSITION

Production December, 1950

(Unit: Yarn 1,000 lbs.  
Cloth 1,000 sq. yds.)

	Nov.	Dec.
Pure cotton yarn ..	52,952	54,535
Cotton waste yarn ..	1,282	1,420
Cotton mixed yarn ..	180	188
Cotton cloth		
Independent weavers	76,468	72,338
Spinner weavers ..	74,146	77,276
Other weavers ..	274	322
Number of spindles		
Installed .....	4,254,818	4,377,974
Operable .....	4,215,304	4,337,996
Operating		
Month-end .....	3,999,459	4,087,432
Average .....	4,219,917	4,327,188
Number of looms		
Installed		
Independent weavers	179,919	178,298
Spinner weavers ..	51,411	54,406
Total .....	231,330	229,704
Operable		
Independent weavers	178,179	176,687
Spinner weavers ..	51,071	54,178
Total .....	229,250	230,865
Operating		
Independent weavers	122,723	120,317
Spinner weavers ..	47,918	50,810
Total .....	170,641	171,127
Number of operatives		
Working		
Spinning mill ....	71,691	72,892
Independent weavers	83,560	84,231
Spinner weavers ..	33,009	34,713
Filament rayon yarn	10,209	10,453
Rayon staple .....	15,415	16,242
Spun rayon yarn ....	9,796	10,588
Spun rayon cloth ....	22,593	22,543
Filament silk cloth ..	10,863	10,913
Spun silk cloth ....	1,355	1,211
Silk mixture cloth ..	2,808	2,619

### COTTON SPINNING

1. General status of operation in December 1950.

Total output of pure cotton yarn during December amounted to 54,535 thousand pounds in actual count, 11% increase from last month. (Production converted 10% over the previous month.) Output in 20's count was 81,054 thousand pounds, yarn, which were spun by cotton ring of waste cotton yarn and spun rayon spindles, also showed comparative increase as compared with last month. On the whole, condition of operation for this month was good, although there were some bad influences by the walkout of electric workers in some districts.

Number of reports came from 50 companies, 119 mills, (5 mills did not operate yet). In addition to old 35 companies, 8 companies began to produce cotton yarn (one of them in November, and the others in this month).

stock \$3,690,000, ships \$9,730,000 and other heavy machinery \$2,180,000. Thailand imported \$2,530,000 worth of rolling stock, the Philippines \$2,620,000 worth of rolling stock, ships and heavy machinery, India \$1,230,000 worth of spinning machines and heavy machinery, Pakistan \$1,320,000 of dynamos and spinning machines, Denmark, Norway, Argentina, Hongkong, Korea, Burma and Indo-China are also included among Japanese plant equipment buyers.

### 2. Trends of productive factors.

a) Equipment. Total installed 4,377,974 spindles (including condenser 43,132 spindles). Total operable 4,337,996 spindles (including condenser 41,436 spindles). The program of each company for extension and establishment of equipment is being realized steadily, accordingly number of spindles will continue to increase month by month.

b) Raw material. Amount of raw cotton received by mills during this month nearly corresponded to the consumption for the month, moreover the stocks held by mills were not large, therefore raw cotton supply is rather unfavorable on the whole. This was caused mainly by shortage of freight cars. Arrival of raw cotton by private foreign trade was carried on smoothly, therefore the port stocks were increasing rapidly.

c) Labor. Total number of workers employed was 81,398, increasing by 2,253 as compared with last month. The negotiation between the workers and the companies regarding the year-end bonus could not come to terms easily, but this had no particular influence on the production.

d) Other. All the spinners especially small spinners, were desiring the increase of basic allocation of electric power.

3. Delivery of products and their stock condition. Total deliveries for this month were about 90% of last month. This is due to decrease of deliveries for domestic use (a decrease of 42% as compared with last month), which was caused by the delay of the ticket issue for the third quarter (September-December). As the result of increased production and decreased deliveries the stockpiles held by mills showed a remarkable increase.

### COTTON FABRIC

#### Spinner-weavers

##### 1. General status of operation.

In spite of bad condition (strike of electric workers) total amount of production during December was 77,276 thousands of sq. yds, showing 4% increase over last month due to efficiency and two companies being added newly—Minami Orimono and Morita Shokufu. Production for export was 74,376 thousands sq. yds, which showed 5% increase over last month. Domestic product was 2,900 thousands sq. yds, which showed 5% decrease under last month. Decreased production for domestic use was caused by decreased production plan for 3rd quarter 1950, (about 60% decreased).

##### 2. Equipment.

Operable looms during December amounted 54,178 which number is 3,107 more than last month. Operation ratio was 91.5% due to strike mentioned above.

##### 3. Delivery of products.

Delivery of products for domestic and export were both favourable, especially domestic which was 123% of last month due to increased demand at year end.

#### Independent-weavers

##### 1. General status of operation.

Total amount of cotton fabric production by independent weavers during December was 72,338 thousands of sq. yds,

which shows 5% decrease below last month. (Export 3%, Domestic 5% decreased). This decrease is due to the reasons following. (a) Two companies—Minami Orimono and Morita Shokufu—began cotton spinning from December, so productions of these companies were added to one of spinner-weavers. (If these productions were added to them, independent weavers' production shows 1% increase over last month). (b) Decrease of production for domestic use is due to delayed allocation of 3rd quarter 1950.

##### 2. Equipment.

Number of operable looms increased by 1,281 over last month. Operating ratio of loom at the end of December decreased 0.8% below last month due to shortage of yarn for domestic use (December ratio 68.1%).

##### 3. Raw materials.

Receipt of yarn for export was favourable and increased 9% over last month due to heavy consignment. But receipt of yarn for domestic use amounted to 40% of last month due to the reason mentioned above.

##### 4. Deliveries and stocks.

Deliveries of domestic products showed 20% increase over last month due to decision of new price and increased demand for the end of year. On the other hand, export delivery showed 2% decrease below last month.

### SYNTHETIC FIBER

#### Rayon manufacturing

##### 1. General status of operation.

Output of rayon filament amounted to 10,453,645 pounds (an increase of 2%) and that of rayon staple amounted to 16,241,875 pounds (an increase of 5%), showing the highest production postwar. Production records of every month were renewed month by month throughout this year.

##### 2. Trends of productive factors.

Receipt of domestic pulp was favorable (an increase of 11%), but decrease of receipt from pulp makers which are located at northern part is presumed due to snow season. (a) Receipt of imported pulp increased compared with previous month. Long term contracts of 1951 are proceeding now. Future of pulp receipt does not warrant optimism due to shortage of transport. (b) Receipt of caustic soda increased 4% due to previous allocation of January—March. Supply condition is showing temporary ease, but salt importation of next year is not assured. (c) Receipt of sulphuric acid and Carbon-disulphide increased compared with previous month, but supply of them have a tendency toward decline.

##### 3. Delivery of products and stock.

Delivery was favorable, and stock of rayon filament amounted to 6,415 thousand pounds (a decrease of 7%), and stock of rayon staple decreased by 6%, amounting to 4,379 thousand pounds.

#### Spun rayon yarn spinning

##### 1. General status of operation.

Total output of spun rayon yarn amounted to 10,588,102 lbs. (an increase of 8% as compared with last month), and marked the postwar peak. This is attributed to prosperous demand for rayon staple, caused by shortage of raw



## SALT PRODUCTION IN INDIA

The manufacture of salt is an ancient industry in India. As far as can be gathered India was self-sufficient in salt till the beginning of the 19th century when import of salt was actively encouraged for the first time by the British rulers for the benefit of manufacturers of Liverpool and Cheshire. Salt has also been a source of revenue to all the rulers of India. The early empires, the Moghuls, the Maharathas and their successors the British levied various forms of taxes on salt, treating it as a monopoly article. The British collected excise duty in a more organised and systematic manner and as it was more convenient for them to levy their taxes at places of entry of salt into India they used the excise duty as an instrument for promoting the interests of the manufacturers in England.

The manufacture of salt in India is almost exclusively by solar evaporation and is to a large extent in the hands of small licensees or lessees of absentee proprietors. Many of them are ignorant of the current technique of manufacture of salt and their main interest is in making quick money rather than producing good quality salt. The methods of manufacture continue to be ancient and primitive and the artisans being conservative are suspicious of innovations. Though illiterate and left without guidance these artisans have displayed considerable amount of ingenuity in producing salt in spite of defective layout and design of works. The quality of salt produced is, therefore, poor in several centres of production, but in better designed works, where there is some scientific control, the quality stands comparison with the best that is produced anywhere else in the world by solar evaporation. With a change over to a more scientific technique, the quality and yield of salt can be improved immeasurably.

The progress of the industry during the last 20 years has been noteworthy. In 1930-31 the production was only 1.21 million tons (32.97 million mds.) by 1948 it had very nearly doubled to 2.33 million tons (63.48 million mds.). This development has taken place despite the vicissitudes of the industry

in the early thirties, and is a testimony to the enterprise and initiative of the manufacturers. The tariff protection that was given to the industry in 1931 was also responsible for its growth, particularly in Kathiawad and Kutch. The most noticeable progress has been made in Kathiawad and Kutch where the production has increased by 140 percent. The increase in the inland works is 50 percent and in Madras 28 percent, notwithstanding the transfer of the factories in the Ganjam district to Orissa. There has been hardly any increase in either Bombay or Mandi. Mandi has hitherto played a very small part in the overall picture of the salt industry in India but the static condition of production in Bombay is an index of the state of the industry there and calls for attention. In Travancore, the increase has been phenomenal and the present production is more than 10 times the production twenty years ago. West Bengal has hardly made a serious start to produce salt but with the altered conditions, we may anticipate that it will begin to make a significant contribution to the production in India within five years.

Prior to 1930, India imported more than 50,000 tons of salt from Aden and other Middle East salt works as also from Liverpool and Hamburg. These imports have declined steadily because the Indian salt industry received timely assistance by way of tariff protection without which the Indian industry would not have been able to withstand the determined onslaught of foreign salt. In 1927-28 when Kathiawad salt had not appeared in the Calcutta market the price of foreign salt in Calcutta was about Rs. 27 22 per ton (Rs. 1 per maund); by 1930-31 it was brought down to as low a figure as Rs. 11 per ton (Rs. 0/6/5 per maund) to drive out the Indian salt from what had till then been a close preserve for the foreign salt. The new Indian works had to struggle for their existence from the very inception and when they found it impossible to continue manufacture at a remunerative rate they had to seek protection. As a result of the recommendation of the Tariff Board, the fair selling price of Indian salt in the Calcutta market was fixed in 1931 by Government at about Rs. 18 per ton (Rs. 0-10-7 per maund) ex-ship and a protective duty of Rs. 7-10-6 per ton (Rs. 0-4-6 per maund) was levied on foreign salt. The protection to the salt industry was continued until 1939 but the rates of duty were progressively lowered. In 1933 the duty was reduced to Rs. 4-4-0 per ton (Rs. 0-2-6 per maund) and the ex-ship price of the Indian salt was correspondingly reduced to Rs. 14-14-6 per ton (Rs. 0-8-9 per maund). In 1936 the duty was further reduced to Rs. 2-9-0 per ton (Rs. 0-1-6 per maund) and in 1939 the protection was completely withdrawn and this position

still continues. As Aden was part of India in 1930 and continued to be so till 31st March 1937, the imports from Aden were exempted from the payment of the protective duty and this continued even after Aden was separated from India. Under the shelter of the protective duty, the Aden salt manufacturers expanded their works and after the separation of Aden they made a bid, for a while, to hamper the development of the Indian industry by waging a rate war. The outbreak of World War II and the altered political and fiscal conditions in the country, however, put an end to this activity. The Indian industry thus fully established itself during the last war when imports of foreign salt were considerably curtailed for lack of shipping. The war also forced home the important lesson of self-sufficiency in the supply of an essential commodity like salt.

In spite of a marked increase in production indicated above the imports of foreign salt to the extent of about 253,000 tons (6,900,000 maunds) still continue each year, almost entirely into Calcutta. This is partly due to the insistent demand for fine white crushed salt in Bengal and the markets it serves.

Although the production has increased substantially, during the last 20 years, covering not only the increase in consumption due to the growth of population but also materially reducing the imports, the Salt Experts Committee set up in 1948 in their report just published have pointed out that the increase could have been much larger had the works been properly designed and efficiently operated. A brief review of the possibilities that exist in India not only of achieving self-sufficiency but also making available a substantial quantity for export, is given below.

The principal producing centres of salt in India are:

- (a) *The inland sources of Rajasthan, Kharagrhoda and Dhargandhra.*
- (b) *The marine salt works in Bombay, Kathiawad, Kutch, Madras, Orissa and Travancore and*
- (c) *The rock salt mines in Mandi.*

**Inland Salt Works:** In the case of inland salt works salt is obtained by solar evaporation of brine which is either obtained from salt lakes or tapped from sub-soil sources by means of shallow wells or deep tube wells, pits and percolation canals. Another source of brine is by the ancient method of lixiviating the saline earths. In the inland works, although the production has increased by 50 percent during the past two decades, the Committee observe that a much larger increase is possible without opening any new work as shown in the following table. The present production of salt from this source is estimated at 627,000 tons or 17,080,000 mds.

cotton and wool. Pure spun rayon yarn production increased by 6% (rayon yarn spinners), 3% (cotton spinners) and 11% (wool spinning) respectively.

### 2. Trends of productive factors.

Supply of rayon staple is favorable at present. Number of installed spindles is 658,568, an increase of 38,924 spindles, and operating ratio to operable spindles was 94%.

### 3. Delivery of products and stock.

Total delivery amounted to 10,060 thousand pounds, an increase of 3% and stock of products amounted to 3,489 thousand pounds, an increase of 18%.



### Potential Capacity of Inland Salt Works:

	Tons	Mds.
Sambhar . . . .	471,000	12,822,000
Didwana . . . .	73,500	2,000,000
Pachbadra . . . .	147,000	4,000,000
Kharaghoda . . . .	220,500	6,000,000
Kuda . . . . .	80,000	2,198,000
Total . . . . .	992,000	27,000,000

**Salt Mines:** The main source of rock salt in undivided India were the Khewra deposits in the Sulaiman range. The only known source now left in India is the Mandi rock salt which is mined in small quantities and its sale is confined to a small area. As a rule, rock salt varies in colour from red to deep mauve and is fairly free from insoluble matter. The Mandi rock salt is, however, dark grey in colour and might be easily mistaken for a lump of rock, being very impure and having sodium chloride content of less than 74 percent, the rest being insolubles like silica, lime and traces of calcium sulphate. In America and other places rock salt is generally used directly for cattle and agricultural purposes, but when it is required for edible purposes it is subject to a process of refining and recrystallisation in vacuum evaporators.

The present production of about 4,000 tons (109,000 mds.) per annum in Mandi is insignificant. The Salt Experts Committee has recommended that the present method of mining the salt be replaced by brine wells and an up-to-date brine evaporator plant be installed to produce 66,000 tons (18 million mds.) of salt. This salt is expected to be of the highest purity attained anywhere in India and comparable in quality with the best obtained anywhere in the world.

**Marine Salt Works:** The present

production of salt from marine salt works is estimated at 1,700,000 tons or 46.28 million mds.

The combined potential capacities of all the salt works in India is given in the following table. This estimate is considered as probable of achievement by the Committee in the course of the next five years.

	Tons	Mds.
Inland Works ..	9,92,000	2,70,00,000
Salt Mine .. ..	66,000	18,00,000
Marine Works ..	29,68,000	28,08,00,000
Total . . . . .	40,26,000	10,96,00,000

There is a great deal of variety in the physical characteristics of the solar salt produced in India. In the marine salt works of Bombay and Madras the single irrigation system is in vogue and two varieties of salt are produced; called "heavy" and the other "light". In Bombay the heavy grade of salt is known as *Vajni* and the light grades as *mapi* and *kuppa*. In the salt works at Kathiawad and Kutch where the multiple irrigation or accretion system is employed, only the heavy type of salt with well formed crystals of uniformly good quality, known as *Kurkutch* is produced. Likewise in the inland salt works of Kharaghada and Dharagandhra, the variety produced is also of the heavy type and known as *baragara* meaning 'big lump'. This variety is produced by periodical raking and spreading out of the crystals which are thus helped to grow uniformly on all sides. At Sambhar three varieties of salt are produced of which two viz, *kyar*, *pan* are heavy and the third, *reshta* is light and flaky. *Reshta* is produced by wind action on the brine. Crystals of salt that get formed on the surface of the brine are blown by the wind towards the sides of the pans where they collect in tiny light crystals.

The quality of salt in India varies from place to place; even to-day ignorance, prejudice and self interests prevent an improvement in quality. Government have taken recently the first step to raise the standard of the Bombay and Madras marine salt by prescribing a minimum sodium chloride content of 92 percent (on dry basis) to be progressively increased in the coming years.

The world production for 1946 was 42 million tons (1,143.24 million mds.). The pre-capita consumption of salt for domestic agricultural and industrial uses comes to about 41 lbs. In comparison with these figures the average production in India of about 2 million tons (54.44 million maunds) is negligible considering the size of the country and the density of its population. On the present population of about 350 million and a consumption 230 million tons (62.60 million mds.) the per capita consumption comes to about 16 lbs. only as compared to 206 lbs. in U.S.A. and 103 lbs. in U.K. This higher consumption is an index of industrial development of these countries. In America and England more than 70 percent of the total salt produced is consumed in industry. The industrial consumption in India is woefully small being only about 8 percent.

During the next five years, the Committee estimate the consumption in the country to rise to about 3 million tons (83.66 million mds.) which would meet the full needs of the human population and of the industries but only a partial requirement of the livestock. The Committee feel that the production of salt in India can be stepped up by 1955-56 to cover this over-all likely requirements of the country. The potential capacity of the existing salt works in India is 40,26,000 million tons (109.6 million mds.). The forecast for 1955-56 has been put at 3,075,000 tons or 83,706,000 mds.



## INDIAN EXPORT EXPANSION

Although, ever since the beginning of the post-war period, the policy of the Government of India was to take all possible measures, consistent with domestic supply position and requirements, to recapture old markets, consolidate those which had been gained during the last war and annex new ones afforded by the favourable opportunities of the post-war period, during the last twelve or eighteen months special measures have been taken to stimulate and expand the export trade.

Knowing that such expansion is not possible without ensuring an adequate supply of essential domestic raw materials, either for straight export or for export after conversion into manufactures, special steps have been taken to increase the production of such materials. The chief instances are raw cotton and raw jute.

As India is desirous of increasing her export trade in manufactures, apart from the traditional lines, efforts have also been made to step up industrial production in many lines. As a result, in these lines production was better in 1949 as compared with 1948 and promises to be still better in most of them in 1950.

Of the other major steps taken to stimulate exports, special mention should be made of liberalisation of export control, quality control of export articles, tax reliefs for exports, facilities for the trade, and certain measures influencing particular commodities such as cotton piecegoods, oil and oil-seeds, hides and skins, mica and shellac etc.

The value of the export trade, during the April-August period of 1950 as compared with the same period last year, would appear to have been favourably influenced by them and other factors. The value was Rs. 1,730 million as against Rs. 1,520 million last year. Quantitatively, too, there have been increases in some directions.

### Raw Materials Production

Exports mainly consist of two varieties, viz, raw materials and manufactures. In order to export either of them or both, it is necessary to have an adequate supply of the former, so as to satisfy domestic needs in the first instance and then permit of export, either in the raw state or as manufactured goods. The chief raw materials which constitute the staple lines of Indian exports are raw wool, oilseeds, hides

and skins, lac and shellac, mica, and manganese. In respect of most of these as well as sugarcane, efforts are being made to increase production. The agricultural raw materials mentioned herein show more acreage under cultivation in the first forecast for the current season than for the corresponding one of the last.

As regards hides, one of the methods suggested is the removal of the ban on cow slaughter, with a view to enabling more material to flow into the market. The question is under examination, in consultation with the State Governments.

Latest statistics for the other commodities are not available; but it may be presumed that they are geared up sufficiently to meet export demand.

### Manufactures Up

With the major exception of the cotton and jute mill industries, in which there has been a decline, owing to temporary causes which it is hoped would be overcome in the coming year, industrial production in many industries some of which have an export significance shows an increase in the current year as compared with the last. Such industries are steel, cement, coal, sulphuric acid, bleaching powder, caustic soda, soda ash, Diesel engines, sewing machines, electric fans, electric lamps, electric motors, glass sheet, paper and boards, bicycles, ceramics, cigarettes, and hurricane lanterns. What is more significant is the fact that there has been a marked increase in the industrial capacity of the country, which can be utilised for export markets, after satisfaction of domestic needs. Industries which show currently increased capacity, as compared with 1948 are sulphuric acid (50 per cent), caustic soda (17 per cent), Diesel engines (33 per cent), electric fans (12 per cent), electric lamps (60 per cent), non-ferrous metals (34 per cent), cycle tyres and tubes (33 per cent), glass (3 per cent), paper and boards (7 per cent), plywood (60 per cent), bicycles (29 per cent), sewing machines (60 per cent), ceramics (100 per cent), hurricane lanterns (100 per cent), soap (8 per cent), dry cells (3 per cent) and rayon fabrics (20 per cent).

### Commodity Speculation

Apart from the normal operation of the law of supply and demand, speculation is often a most potent cause of a steep flight in prices, which seriously handicaps the commodity concerned from the export point of view. In order to prevent such flights, it has become necessary to combat speculation in market dealings. With this object in view a Bill for regulating forward trading in commodities, on an All-India basis, has been prepared, in consultation with State Governments, important commercial associations and an expert body, and it is hoped to introduce it in the current session of the Parliament.

It is also proposed to amend the Income-tax Act so as to set off losses from speculative transaction only against profits from such transaction.

### Liberalisation of Export Control

Many steps have been taken to liberalise Export Control some of them may be mentioned here. Consistent with domestic needs, more than 250 commodities have been so far completely removed from control, so that they can be freely exported at present. About 60 others have been placed on an O. G. L., which means that their exports are practically free. The former category consists of, inter alia, earthenware, toilet requisites, toys, woollen hosiery, cutlery, drugs and medicines, certain chemicals, porcelain ware, glass and glassware, leather manufactures, sport goods, etc. The latter includes hurricane lanterns, G. I. buckets, steel pins, electric ceiling fans, enamel ware, all metal manufactures other than fabricated steel structures, electric insulating material, electric wires and cables, confectionery, bicycles, matches, canvas shoes, silk and art silk piecegoods, paints and varnishes, etc.

When goods are to be exported up to an annual quota, exports are allowed, as far as possible, to go freely until the quota is exhausted. Applications for the processing and re-export of goods of soft currency origin are being sympathetically considered. A suitable procedure has been laid down to facilitate import of raw material by industries which have an export market.

### Quality Control of Export Articles

As quality control is necessary to maintain the reputation of Indian products in foreign markets, progressive measures are being taken to ensure the quality of articles exported, both agricultural and manufactured. The Indian Standards Institute is engaged in the work of fixing proper standards for important export commodities like lac, seedlac, shellac, manganese and wool, as well as packing of textiles, etc., in consultation with the trade. The question of enacting legislation for enforcing the Indian standards fixed by the I. S. I. for manufactured goods is under examination. It is, however, considered that the quality control of our products should not, for the present, be on a compulsory basis, as there is still a sufficient market for our sub-standard goods which we can ill afford to lose in the present state of our economy.

As regards agricultural produce, they cannot come within the scope of the proposed legislation, for the obvious reason that they are dealt with under the Agricultural Grading and Marketing Act of 1937 and under Section 19 of the Sea Customs Act. It is proposed to control the quality of bristles under the former; that of tobacco and Sann hemp is already being controlled under the latter.

Steps have also been taken to introduce standard forms of contracts, with a clause for arbitration, for certain commodities. Complaints about bad quality received from overseas are investigated by the Chief Controller of Exports and the Director General of Commercial Intelligence and Statistics and necessary action is taken with promptitude.

First Seasonal Forecast  
in 000 acres  
1949-50 1950-51 Increase  
%

1. Cotton	6,446	7,117	10.4
2. Jute (informal)	1,160	1,470	29
3. Sugarcane	3,451	3,614	4.7
4. Sesamum	2,385	2,479	3.3
5. Groundnut	9,145	9,672	5.8
*6. Linseed	3,864	3,711	-2.5
7. Castor	1,363	1,391	0.6

\*Final 1949-50 as compared with the previous season.



### Tax Reliefs for Export

While it has been found necessary to introduce and enhance export duties in the context of the changed conditions obtaining in the post-devaluation era, tax reliefs have, however, been given in certain directions for stimulating the export trade. For instance, the export duty on more expensive cigarettes has been reduced. Steps have been taken to ensure that States Sales taxes do not apply to exports in future. The giving of rebate in respect of import duty on raw materials used in any processing industry, the products of which is exported, is considered sympathetically, provided it is practicable to make the necessary administrative arrangements to establish the identity of the material used. Such rebates are being given for some commodities; for others the procedural difficulty remains to be settled.

Measures to give relief to persons trading in foreign centres, with which India has no doubt income-tax relief understanding, is under consideration. It is proposed to amend the Indian Income-tax Act suitably, with a view to giving credit for the full foreign tax on the doubly taxed income, or the Indian tax thereon, whichever is lower.

### Facilities for Export

Various facilities are given for the stimulation of export trade. In regard to transport, for instance, while the position has eased to a considerable extent, export goods are given high priority, when necessary, in the matter of movement. The Chief Controller of Exports is actively helping export industries regarding allocation of raw materials to them, issue of import licences and supply of packing materials. Other facilities are:

- (1) Export licensing has been centralised, as far as possible, in the office of the C. C. E.;
- (2) The general question of examination of coastal shipping freight is under consideration; and
- (3) India's representatives abroad have been authorised to grant entry visas to foreigners wishing to proceed to India for short business visits, without prior reference to the Government of India.

### Stimulating Exports in Particular Commodities

Besides the general measures detailed above, various measures have been adopted to stimulate exports in particular commodities. Although, in respect of jute, owing to difficulties connected with raw jute supply position, it has not been possible to permit exports of raw material or take full advantage of existing international demand for the manufactures, vigorous efforts are being made to expand raw jute production in order to enable the industry to have adequate supplies of the raw materials, in the manner already indicated.

Higher targets have been fixed for the export of cotton piecegoods. They amounted to 1,000 million yards from October 1949 to the end of December 1950. As a result, exports have improved

—to 389 million yards during April-August 1950 as compared with 149 million yards in the corresponding period of last year.

The Excise duty procedure regarding cotton piecegoods has been simplified. Rebate of Import Duty is allowed in respect of superfine and fine cloth at a flat rate of two annas per pound of cloth exported.

Exports of oils and oilseed are allowed freely within specified quotas. Steps are being taken to ban speculation in seeds on an all-India basis. Internal restrictions on movements of seeds are being reduced.

To facilitate transport of hides and skins, wet salted hides, when consigned in full wagon loads, are treated as perishables by the Railways and moved quickly as in the case of other perishables. The question of reviving the goat skin trade in Amritsar, which has a valuable export market, by giving technical and financial assistance, is under investigation.

Action has been taken to ensure that States Sales Tax does not apply to exports of mica in future.

As regards shellac, while steps are being taken to ban speculation on an all-India basis, adequate transport facilities are being provided. Imports of stick lac—for being processed into shellac and exported—from Siam and other soft currency countries has been placed on O.G.L. XVI Agreed international standards have been drawn up by the I.S.I.—for quality control—which are now under consideration. Finally, steps are being taken to increase the production of lac.

Transport of coal by the Railways has been improved. Possibilities of exporting Indian coal to E. and S.E. Asian countries are being explored.

### Increased Exports

The volume and value of exports during a particular period is due to the influence—the action and inter-action—of a number of factors—national and international. It is not, therefore, possible to isolate a factor—or a set of similar factors—and state that so much of the result is definitely due to it; all that can be said is that it has also contributed to the trend. In a similar manner, the above mentioned factors should be taken to have influenced favourably the trend of the export trade. As a result of these and other favourable factors, the value of exports shows an increase. It amounted to Rs. 1730 million in April-August 1950 as against Rs. 1520 million in the corresponding period of last year—i.e. an improvement of 14 per cent. The most significant increase is in respect of the manufactures group, where we have improved from Rs. 810 million to Rs. 1020 million or by Rs. 210 million—the same amount as in the case of the overall increase. This means that we have been able to improve our export trade in manufactures. Although the gain is substantially due to the much increased value of exports of cotton piecegoods, yet it is true to say that we have improved our position in respect of a number of manufactures of a miscellaneous

character. Chief of these are boots and shoes, hardware and cutlery, tanned hides and skins, woollen manufactures, and tobacco manufactures.

Quantitatively considered, of the thirty articles which constitute the major items of India's export trade, increase have been seen in the following 18 items:—

Commodity	Unit	Apr.—Aug. 1949	1950
Boots & Shoes	000 pairs	502	768
Coffee	000 cwts.	15	41
Cashewnut Kernels	000 tons	8	95
Hardware & Cutlery	Value 000 Rs.	1,499	2,243
Skins	Tons	4,910	6,179
Lac	000 cwts.	145	212
Tanned Hides	Tons	4,110	5,341
Tanned Skins	"	2,024	2,019
Mica	000 cwts.	99	158
Castor Oil	Mln gals	0.3	1.5
Paraffin Wax	Tons	6,661	13,041
Cotton twist & Yarn	Mln lbs.	4.1	19.0
Handloom piecegoods	Mln yds.	—	13.1
Mill piecegoods	"	149	376
Raw Wool	Mln lbs.	7.6	11.5
Woollen Manu- factures	"	4.6	5.9
Raw Tobacco	"	25	33
Tobacco Manu- factures	"	1.2	1.8



## FINANCIAL REPORTS

### International Movement of Gold and Dollars

Gold and U.S. dollar holdings of most countries rose steadily throughout 1950, in contrast to the experience of earlier postwar years. A sharp decline in the U.S. export surplus, financial aid by the U.S. Government considerably in excess of the export surplus, and an outflow of U.S. private capital accounted for this development. Holdings rose by \$3.7 billion (including \$400 million of newly-mined gold), to a year-end total of approximately \$19 billion. At this level, however, holdings were still below the \$23.8 billion level at the end of 1945. (All figures exclusive of U.S.S.R. gold reserves.)

Improvement in the gold and dollar positions of most countries was widespread, and only a few countries, including Belgium, Norway, and Venezuela, failed to add to their holdings. Almost two thirds of the overall increase was concentrated in the United Kingdom and Canada. The United Kingdom converted practically all its current net dollar receipts (\$1 billion) into gold, in addition to obtaining an estimated \$0.5 billion in gold from other sources. Canada's gold reserves increased by only \$100 million, while its dollar balances rose by more than \$500 million and were largely invested in U.S. Government securities.

The marked recovery in foreign holdings of gold and U.S. dollars reflects the success of the U.S. foreign aid program, and the fact that foreign countries as a whole have recovered to the point gold and dollars are valued more highly as reserves than as an immediate claim for additional goods and services. Partly as a result of increased reserves, ECA countries have taken steps to remove most of their restrictions upon intra-European trade and payments, and other countries have partially relaxed their restrictions upon dollar trade and payments.

The outflow of gold and the increase in foreign dollar balances during 1950 had a restraining effect in the United States at a time when other influences there were predominantly inflationary. The fact that foreign commercial banks and business firms maintain only relatively small working dollar balances in the United States and transfer excess balances to the central banks of their respective countries had a restrictive effect upon the U.S. domestic credit situation, as did the outflow of gold. This effect, however, was limited by the extent to which U.S. commercial banks borrowed from the Federal Reserve Banks or sold U.S. Government securities, although the over-all liquidity of the banking system was reduced.

### South African Gold Production

An analysis of gold production by the Transvaal Chamber of Mines shows that working costs in December 1950 reached a record level of 30s. 7d. per ton, though the average for the year was only 29s. 7d. To compensate for higher costs, the grade of ore milled was raised; as a result, working revenue increased to 47s. per ton, the average for the year being 46s. 11d.

Working revenue in 1950 totaled £139.5 million (£110.6 million in 1949). When the revenue of £2.1 million from the premium on sales of gold for industrial and artistic purposes is added, total revenue was £141.6 million. This additional revenue amounted to £649,733 in the first quarter of the year, £99,927 in the second, £534,112 in the third, and £839,770 in the fourth. Additional revenue from the premium on sales in 1949 was £1.1 million. Since working costs in 1950 rose by much less than revenue, the estimated working profits totaled £51.1 million (£33.9 million in 1949). Total net dividends rose from £16.7 million in 1949 to £24.7 million in 1950.

### HONGKONG CLEARING HOUSE

In April, the total amount passed through the bankers' clearing house was \$1,571,362,920. In the 3 preceding months of this year the totals were (in billions of HK\$)—1.5; 1.4; 1.8; while in December 1950 the total was \$1.5 billion.

### HONGKONG FREE EXCHANGE & GOLD MARKET

Undeclared gold imports & exports have been a matter of sensational reporting especially since the local authorities had better luck with seizures. Confiscations of illicitly carried bullion in and out of the colony are being kept up. During the last 2 weeks seizures were valued at about \$100,000 which amount brings up the total of seized gold since the start of the current year to over \$8 million. What the authorities are doing with this treasure has not been disclosed but a statement, no doubt, will have to be made if for no other purpose than to dispel the frequent rumors in the market which tend to create a wrong impression among the business community.

That gold in very large quantities has been and continues to be transported in and out of Hongkong is proof for the allegation that trade controls are not very easily enforced and that not only an efficient service, which must maintain a high degree of integrity, is required but that cooperation of the public is the prerequisite of success. Trade restrictions should also be applied with caution and with a proper understanding of the merchant community's interests.

Gold imports have been continually arriving here from Macao, and since 1947, with a few periods of dull business due to conditions in China or world market movements, Hongkong has acted as a reexporter of gold. Other sources of supply were China, Taiwan, the Philippines. Some small lots did also arrive, at irregular periods, from Indonesia. The main supply source was Macao especially so since the communist takeover in China which brought to an end the bullion business in China—at least on any larger scale.

There are a few organisations which control the import of gold from Macao into Hongkong, and these outfits have rarely met with a 'disaster'. It was the small-time smuggler and the free-lance,

as it were, who got into trouble; some less experienced and not well supervised groups who meddled in the gold transport business suffered losses as a result of internal disputes and lack of 'organisation'—which means that not fully checked persons were admitted to the gangs some of whom turned informers or were planted into a gang for the eventual role of informer.

The Cantonese group here is largely in control of the import business from Macao and their hold is strong enough to foil interference.

In the export business the situation is different and it was here that local revenue officers scored their remarkable successes in recent months. Reexports are usually consigned to Chittagong, Calcutta, Bangkok, Singapore, Saigon, Haiphong either for consumption in the respective countries or again for re-export, India being the biggest and most attractive market. Four groups were conducting exports—but there were and are many smaller outfits who operate without attracting any attention. The four major groups are: the 'Communist', the Amoy, the Swatow and the Cantonese groups. The so-called communist group (persons connected in one way or the other with the authorities in China or their trading and other enterprises) was shipping mainly to Indian ports, to Bangkok and to Singapore. Their objects were believed not to be connected with profit-making but rather with the procurement of exchange for payment of commodities required by the communist authorities. The Pao Sang native bank, being prominently engaged in business on behalf of the Chinese authorities in Canton, have financed considerable gold transactions. The Amoy group is connected with the Tak Shun native bank and other well-established financial firms in the colony, and ships to the above-mentioned destinations in East Asia. In previous years it was this group which sent gold to Shanghai and derived considerable profits from this business. The Swatow group is probably the best organised and best 'connected' one; it is headed by the Man Fat, the Man Cheong and the Yau Wing native banks, and has excellent and trustworthy channels in most Far Eastern ports, mainly Singapore, Bangkok and Saigon (where Chiuchow emigrants, called in Malaya Teochew people, are residing in large numbers). The Cantonese group is headed by the King Fook native bank and has connections in Bangkok and Singapore; its financial resourcefulness is acknowledged in all South East Asian markets. But for the first named group, the so-called communists, the other three groups were in this business for the sake of earning commissions and making profits. The Amoy group was said to have been the most successful as regards profits.

The gold exporting groups were for a long time not jealous of each other's fortune, and there was some measure of cooperation between them. The activities of the so-called communist group were however looked upon with suspicion by the other three commercial groups. Earlier this year a misunderstanding



developed and there were difficulties between the Amoy and Swatow groups on one side and the so-called communist group with which the Cantonese group sympathised on the other side. 'Trade' secrets were subsequently divulged and with the large rewards aiding as an additional stimulant the local revenue officers could score against the illicit bullion business. The heaviest losers in the recent seizures were two groups, the Amoy and the 'communist' ones who were said to be planning to leave the field to the other two groups who also had to suffer losses as result of confiscations but not to an extent which was considered by them as damaging. At present it is the Swatow group which may be responsible for the larger share of export with the Cantonese group satisfied to dispatch smaller lots.

Imports from Taiwan were handled in the past almost exclusively by the Swatow group. Some of this business was financed by the Man Cheong native bank but other Swatow banks also took a part. The authorities in Taiwan recently adopted a sterner system of control over illicitly carried bullion and they apprehended many so-called black market agents, imprisoned a few, squeezed whatever money they could out of the 'culprits' and even meted out capital punishment to one or two men. Subsequently, the Taiwan-Hongkong bullion trade came to a standstill.

The public here is, so far as Chinese—and about 99% of the population are Chinese—, not favoring the suppression of the gold business. The Chinese want to possess gold, in various forms, and they have no sympathy with official policies which aim at depriving the people of the possession of gold. If gold is to be bought and sold, which is legally permissible, and if the gold ornaments which orientals love no less than Europeans but which represent to them more than purely ornamental value, can be worn openly, it is obvious that imports and exports, on which the ornamental trade naturally depends, should not be prohibited. Nevertheless, in many countries and territories this is the illogical practice: gold can be acquired freely but its import and export is prohibited.

So long as the International Monetary Fund insists on its members adhering to a gold policy which wants to deprive the general public of gold and wants to have gold mined only to have it buried again in the vaults of central banks, member governments cannot openly oppose such a policy except by having their representatives making speeches at IMF meetings.

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Review of the market for the week April 30—May 5:—

**GOLD:**—Highest & lowest rates per .945 fine tael were \$322½—315½ equiv. to .99 fine tael and oz rates of \$337.46—330.78 and 280.44—274.89 resp. Cross-rates US\$44½ high, 45½ low.

Daily highest & lowest rates per .945 fine tael: \$322½—318½; 321½—319½; 319½—317½; 319½—316½; 318½—315½; 318½—317½.

Week's opening 320½, closing 317½.

Prices dropped slowly as result of continuing seizure by revenue officers with

subsequent reluctance of shippers to get gold out of the colony. When exports turned sluggish and outlook for near-future exports was discouraging, the stock position would not show any relief and even without further imports prices would rule weak. World market prices were not affected by conditions in Hongkong though in due course a decline in Macao demand may depress quotations in New York, Zurich etc. Political news while far from being reassuring seem to indicate that no immediate deterioration need be feared; the removal of MacArthur and the victory of go-slow policy of Washington, backed up by as yet unprepared European govts, has been interpreted by business circles as signifying a longer interval of 'peace' than was anticipated some time ago. The hoarding urge has thus subsided. With further though smaller contracts for delivery Macao but reduced exports (due to seizures in Hongkong) and growing ready-trading stock, prices are bound to be weak for a considerable period—barring

any untoward incident.

Change-over interest totaled 43 cts, a yield of 7% p.a. to interest hedgers (forward sellers). Contracts concluded during the week were 181,000 taels or a daily average of 30,200, showing a sharp decline from the previous week. Positions were correspondingly lower; 89,500 taels per average day. Importers and the Cantonese group were sellers, the Swatow and Shanghai groups were buyers. Cash sales: 42,000 taels of which 29,500 listed in the Exchange, the rest arranged privately. Of the total, 35,000 changed hands among interest hedgers. 6500 exported, 500 acquired by goldsmiths. Exports were consigned to Singapore (4000 taels) and Bangkok (2500). Differences for .99 and .97 fine gold on top of market prices ranged from \$15.70—16.10 and \$8.40—8.50 resp. Imports, all from Macao, totaled 11,000 taels. Arrivals in Macao were nearly 100,000 ozs. Contracts signed in the Portuguese colony totaled only 5000 ozs, at US\$44.65—44.75 cif Macao.



**SILVER:**—Imports were nil. Chinese authorities have succeeded in cutting the trickle down to nothing. Indonesia may still send some silver. Bar silver quoted \$6.09—6.10, dollar coins 3.92, small coins \$3.01. Sales: 54,000 taels of .99 fine.

**US\$:**—Highest & lowest rates for US notes \$613½—610¼, DD 614½—611¼, TT 618—615, crossrates US\$2.589—2.601. Sales: US\$ 380,000 in TT, 455,000 in DD and notes. The market remains featureless, business is moving in small amounts only. No stimulating factor could be discerned. Day-to-day TT rates: \$618—615; 617—615½; 617—616; 616½—615½; 616½—615½; 616—615.

**BANKNOTES:**—Prices were hardly changed from the week before. Business was small.

**CHINESE EXCHANGE:**—Official rates in China remain as before. Remittances with Manchuria are now effected by official Chinese banks in Hongkong. This step was made possible by the recent currency unification in China proper and Manchuria (Northeast). In all China, as governed by the People's Govt in Peking, one currency, the People's yuan, is now in circulation.

Black markets in China are under strong pressure, business has been declining gradually. Some operators believe that, for a time, unofficial transactions may have to be ceased. Local native banks and other financial institutions engaged in People's currency business were quoting last week as follows:—

People's currency notes HK\$219—224 (per one million); DD Canton 217½—222 (sales resp. 170 million and 220 m.); DD Amoy 220—226; HK\$ remittances with Canton 96—98 (business done \$37,000). Gold and US\$ transfers with China and Taiwan were quoted nominal only as far as any business was done.

**GOLD COINS:**—Four types of American and two types of English gold coins are traded in Hongkong and Macao. Most native banks and gold dealers and a large number of jewelers are buying and selling such coins. The US coins are of 20, 10, 5 and 2½ denominations, both so-called old and new coins, and the English coins are the 'male' and 'female' sovereigns. Current average quotations for the US coins are as follows (in HK\$):—US\$20 old \$472, new 308; US\$10 old 282, new 151, US\$5 old 140, new 73; US\$2½ old 60, new 36; and the prices for the 'male' sovereign is \$87.50, and 'female' 86.50. Some differences are made for well-polished coins and their prices are \$1 or 2 higher than the market price.

Hoarding of wealth especially in form of sovereigns is widespread in the East and Hongkong is no exception to this. US coins which are often worn by Chinese in lieu of ornaments (e.g. on neck and chains) fetch a far higher price than their gold content warrants. For commercial transactions with certain customers in South East Asia settlement of accounts can still be effected in form of sovereigns. The local stocks, in spite of good supply from London and from Asian ports, is small and shows signs of further declining. Macao is better stocked and therefore prices are lower which has caused, as in gold bars, a movement of coins into Hongkong.

Besides the above quoted coins there are a great variety of other gold coins on offer, many of which are from Japan (10 yen piece being approx of same gold content as sovereign but selling only at \$70-72). For numismatic interest the local and Macao markets still rank high; various Asian gold coins and rather ancient European coins are, if one searches for such, available. Even ducats are time & again sold. French gold coins minted in 18th and 19th century are encountered at jewelers and goldshops.

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### HONGKONG LAND INVESTMENT AND AGENCY COMPANY, LTD.

At an extraordinary general meeting of the Hongkong Land Investment and Agency Company, Ltd., held last week, authorisation was given for the issue of a further 100,000 shares, fully paid up by capitalising \$2,500,000 of the amount now standing to the credit of the Share Premium Reserve Account. The new shares to be issued to existing shareholders in the proportion of one new share for every four shares now held by them respectively.

In proposing the adoption of the resolution, the Chairman said that in 1947 the Directors issued 100,000 new shares at a premium of \$25. This premium, amounting to \$2,500,000, has been kept in reserve in the Share Premium Account and has been applied towards the cost of the Company's post-war redevelopment programme. With the completion of Edinburgh House last year the Company's earnings are such as to justify the capitalisation of this premium and the Directors considered that it should now be distributed to the shareholders in the form of fully-paid up shares.

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### SINGAPORE SHARE MARKET

The High Commissioner having informed the Federal Council that 'representatives of the rubber and tin industries will be invited to discuss problem of inflation in the near future', the Malayan Share market opened the first May week on a very cautious note. Sellers predominated in both the tin and rubber sectors and a dull and easier tendency obtained throughout the period although Industrials remained fairly steady.

With regard to the problem of internal inflation, the operative in the primary industries and the small-holder are certainly receiving considerably more for their time labour and are possibly converting most of this money into consumer goods. This is a natural sequence but the problem would surely be most fairly answered by the efficient collection of income tax from all classes.

In the financial press it has been suggested that action is contemplated by Government along the lines of the Australasian legislation withholding a portion of the proceeds of the wool clip. In the commodity market, the prophecy has been made that the amount to be withheld with rubber at its present price would

be in the region of 40 cents per lb, and from press reports was gained the impression that about one third of the proceeds would be demanded so there is approximation in the two sources.

No suggestion has been given of the rate of retention as affecting tin proceeds but there is no doubt that both share markets have been affected adversely by the rumours. With the manner of the springing of extra rubber duties still fresh in mind there is good reason to fear that Government have in contemplation such a design as described and that it will implement it despite any protests which planting and mining interests might make. Whether the placing of enormous funds in the hands of Government for an indefinite period would curb inflation is a matter of opinion. If the withholding scheme was enforced along the above lines the position of a Rubber Company selling at today's price would be roughly as follows:

Average realisation all grades per lb. ....	\$1.80
Export Duty & Cess .....	.29
	1.51
Estimated current all in cost on estate where regrouping is in progress .....	.50
	1.01
Income Tax .....	.30
Suggested withholding by Govt. ....	40
	.70
Amount remaining to company .....	.31
So that out of \$1.80 per lb, Government would receive	99 cts.
Costs mainly labour would absorb .....	50 cts.

And the company would have the remnant of 31 cents to provide for contingencies and recompense the investor whose savings and enterprise made the creation of the estate possible.

Amongst Industrial shares there were steady buyers of Wearne Bros. at \$2.87½, Oversea Chinese Banks at \$96, Henry Waugh at \$2.80, Malayan Cement had business passing at par, and Straits Steamship at \$18.75 x.d. Malayan Collieries declined to \$1.75 with sellers over and Straits Traders eased to \$19.25 c.d.

At the close of the week, despite the local apathy, there were bids from London for Sterling Tins with Pahangs wanted at 17/-. Southern Kinta at 14/3, and Siamese Tin at 24/4½.

Interest revived a little in Dollar tins on Friday with enquiries for Jelebu at \$1.22½, Kuchai at \$2.32½, and support for Hong Fat at 86 cents. There were also bids for Taiping at \$2.57½ c.d. and Lukut at 37 cents.

A fair amount of business was done in Australian tins at the lower levels, Larut at 13/6, Rawang Tinfields at 7/7, Kuala Kampar 38/- and 38/3, and Pungah 23/-. On the announcement by the Directors of Katu Tin Dredging Ltd. and Renong Consolidated Tin Dredging Co. Ltd. that, subject to a satisfactory settlement of the Companies' Siamese War Damage claim which it is anticipated will be finalised before the end of May, a capital repayment of 16/- sterling per share is recom-

mended by both Companies, there were buyers of the shares at 28/6 and 33/6 respectively with no declared sellers.

Rubber shares were dull with the exception of a few selected counters. Ayer Panas rose from \$1.45 to \$1.65 on the publication of a 45% final dividend.

The declaration by British Borneo Petroleum of a tax free dividend of 1/- and a bonus issue of 1 free share for every five held was apparently a little less than was hoped for and London bids were reduced from 50/6 to 48/-.

Conditions were unchanged on the Local Loan market, where there were unsatisfied buyers of the war loans and the taxable issues were steady

#### Business Done

**Industrials.** Fraser & Neave Ords. \$3.45, Gammon \$3 10 to \$3.20 c.b.i. Hongkong Bank (Col.) \$746, Malayan Collieries \$1.80 to \$1.72½, Malayan Cement 25 cents paid 25 cents, Robinson Ord. \$3 20, Raffles Hotel \$2.85, Straits Steamship \$18.75, Straits Times \$3.25, Straits Trading \$19 25 c.d. Henry Waugh \$2.80, Wearne Bros. \$2.87½, Wm Jacks \$2.80, South British Insurance \$50.25.

**Dollar Tins.** Hong Fatt 90 cents to 86 cents, Jelebu \$1.30 to \$1.25, Klang Rivers \$1.62½, Lukut 37 cents and 40 cents, Petaling \$5.80 c.d. to \$5.40 to \$5.45 x.d., Rantau \$2 67½ to \$2.60, Taiping Consol. \$2 55 c.d. Uli Klang 46 cents to 42 cents.

**Australian Tins.** Austral Amalgamated 10/9, Jelapang 22/6 to 22/9, Kampong Lanjut 33/3, Katu 27/6, Kundang 15/6 to 15/-, Kuala Kampar 39/3 to 38/-, Larut 14/3 to 13/6, Pungah 23/9 to 23/-, Rawang Tinfields 7/3, Tongkah Harbour 14/7½, Renong Consol. 32/-.

**Sterling Tins.** Ampat 6/6, Hongkong Tin 13/9 and 13/10½, Kamra 2/-, Lower Perak 13/9, Pahang 17/-.

**Rubbers.** Ayer Panas \$1.45, Bassett 52 cents, Benta \$1.30, Borelli \$1.85 and \$1.82½, Broga 65 cents, Brunei United 97 cents to 95 cents, Bukit Katil \$1.12½, Bukit Sembawang 1/4 and 1/4½, Changkat Serdang \$1.52½, Glenealy \$1.37½, Glen-gowrie \$1.00, Jimah \$1.12½, Kedah 65 cents, Kempas \$2.65, Kuala Sidim \$1.75 and \$1.80, Mentakab \$1.80, New Scudai \$1.45, New Serendah 70 cents, Pajam \$1.50, Pusing Rubber and Tin 2/2½, Singapore United 1/3, Tambalak \$1.05, Taipah \$2.25 to \$2.27½, Teluk Anson \$1.47½ to \$1.45.

**Overseas Investment.** Australian, Bank of Adelaide A.45/1½ x d. British Tobacco A.49/3, Mt Lyell A.25/4½.

**British:** British Borneo Petroleum 49/- to 47/9, Shell Transport 92/3.

**South African:** Middle Wits 26/9, Virginia OFS 15/4½.

**The Great Eastern Life Assurance Co. Ltd.** report that for the year ended 31st December, 1950, new business figures represent an increase of 60% over the previous year. The assets of the Company, including investments \$16,645,337 the market value of which is considerably greater in aggregate, stand at \$20,268,227 and the Life Assurance Fund at \$17,335,218. As income tax has been deducted from prior dividends amounting to the whole of the portion of the shareholders fund deemed to be earned in Malaya, the recommended dividend of 20%, the same as the previous year, is to be paid without deduction of tax. It is hoped next year to inform shareholders of the exact loss incurred on the \$650,388 of mortgages alleged to have been repaid in occupation currency to the Japanese Custodian. The triennial insurance valuation falls due to be made next year.

**Straits Steamship Co. Ltd.,** made a profit for 1950 of \$1,146,214 (17.3%) after provision for income tax or 24.7% before tax, and a dividend of 10% and bonus of 5% is recommended against 10% the previous year. Net liquid assets \$2,368,282 are equivalent to \$3.57 per share while book value of fixed assets equals \$19.64 per share. Shares in subsidiary companies equal \$3.32 per share, and Stores, Spares, etc., equal \$2.80 per share. The Chairman points out that with the greatly increased replacement cost of fixed assets present taxation laws require amendment as wear and tear allowances calculated on historical costs result in taxation of capital. The Company's fleet consists of a total gross tonnage of 39,797 tons and there are two further vessels under construction.

**The New Serendah Rubber Co. Ltd.,** made a net profit of \$130,825 (25.6%) for the year ended 31st December, 1950, and a final dividend of 10% is proposed making 13% for the year against 4% for 1949. Net liquid assets \$128,410 excluding Rehabilitation Loan \$20,660 equal 25.1



cents per share. All in cost was 39½ cents per lb on a crop averaging 484 lbs. per acre. The Company owns 949 acres of old rubber and 527 acres planted with modern material of which 371 acres are immature. 30% of the estimated crop of 620,000 lbs. for the current year has been sold forward at an average price of \$1.09 per lb. and it is not the present intention to make any further forward sales of the 1951 crop.

**Radella Rubber Estate Ltd.**, record a net profit of \$77,259 (38.6%) for 1950,

## HONGKONG COMMODITY MARKETS

The local commodity markets were not distinguished by any particularly outstanding features the past week. Cotton yarn was characterised by off-season dullness, the main feature of interest being the possibility of opening up a market in Turkey and Greece for locally-made yarns.

The industrial chemicals market steadied with heavy buying by North China dealers, a number of permits for the importation of a limited list of industrial chemicals having been issued by the Chinese authorities. The arrival of plentiful supplies from abroad, however, prevented dealers from taking full advantage of the situation many, in order to take delivery of the shipments, being obliged to unload existing stocks on the market and thus depressed prices.

With tight government controls over exports metal dealers have given up much hope of improvement, except in constructional materials.

The recent establishment in Hongkong of the Chinese Vegetable Oils Exporters Association should help to unify prices of vegetable oils and aid in effecting joint transportation and marketing. Some united action locally appears a necessity in view of the difficulties encountered by South China suppliers in providing drums, as a result of which the Canton Foreign Trade Control Bureau has prohibited the exportation of oil in drums. From now on, all shipments of woodoil from South China will be made in bulk. This gives firms that have hitherto dealt in small quantities little hope of obtaining supplies unless they join the new association and can thus avail themselves of existing transportation facilities. Not only are tank cars provided by the Kowloon-Canton Railway for shipments in bulk, but a shipping line whose steamers ply between Hongkong and Canton is able to convey about 90 tons of vegetable oil per trip. Recently, however, the Canton authorities have only been issuing permits for about 30 tons of woodoil to be shipped out daily.

### Cotton Yarn

With the end of the seasonal demand, the cotton yarn market remained dull. Very few transactions took place in Indian yarns and prices continued to fall: 10's, Gokak Mills sold at \$1530 per

bale; 20's, Cockatoo was offered at \$2130 per bale, Kotak & Co sold at \$1950, Loyal Textile Mills was quoted at \$2090, and Gokak Mills fell to \$2100 per bale; 26's, Loyal Textile Mills was quoted at \$2150, Jayashankar Mills fell to \$2140, and New City of Bombay sold at \$2170 per bale; 32's, Model Mill, Nagpur, was transacted at \$2340; 40's, Rajalakshmi Mills sold at \$2780 per bale.

In Hongkong yarns interest was created by orders from Turkey and Greece for 10 and 16 counts, the former being indented at \$1850 per bale c & f. and the latter at \$2160. Red Rose 20's was quoted on the local market at \$2180 and Panda 20's at \$2150 per bale.

### Cotton Piece Goods

The market for cotton piece goods was particularly stagnant, lack of fresh supplies alone saving prices from falling heavily. Export demand was lacking and money tight. Small transactions took place in Indian grey sheeting No. 2293 36" 40 yds at \$61 and \$60.50 per bolt. Indonesian dealers were in the market for Hongkong manufactured drill and grey sheeting, Double Cats brand, lightweight, drill being sold at \$71 per bolt for shipment in July and Double Cats brand grey sheeting 12 lbs. being transacted at \$76 per bolt.

### Cement

Indent prices for cement are constantly rising. The official allocation price for Snowcrete (Green Island) 1-cwt bag has been increased to \$18 from the former price of \$15, pushing up the market price to \$19 per bag; Danish Bat brand white cement has been raised to \$285 per ton c.i.f. Hongkong, sales per 1-cwt. bag being made at \$17.50. Following a rise in indent prices, agents advanced the c.i.f. Hongkong price to \$160 per ton, but local prices were not influenced, sales being made at \$132 per ton ex-godown for Lion brand 1-cwt. bag and small transactions taking place at \$7.50 per 1-cwt. bag, while the 100-lb bag rose to \$6.90. Emerald brand (Green Is.) sold at the increased price of \$8.50 per 112-lb. bag (official price \$8), and Emeraldcrete rapid hardening (Green Is.) sold at \$10 (\$9) per 112-lb. bag.

### Metals

The local market showed little improvement during the week. It is hoped that some amelioration of the extreme shortage of materials will take place following the visit to London of local delegates to the British Industries Fair, who may be able to influence the allocation of metals to Hongkong.

Mild Steel Round Bars 40" ½" to 1" declined to only \$60 per picul, the lowest since the Korean war started, while 20" ½" to 1" likewise fell to \$56 per picul. The selling price of 40" ½" was \$86 per picul, of 5/16" \$85, while ½" and ¾" stood at \$82 per picul. Mild Steel Plates also showed a tendency to decline, 4'x8' 1/16" being quoted at \$185 per picul, 3/32" at \$180 and ¼" at \$127 per picul, while 3/16" and ½" were offered at \$125

and a final dividend of 12½% is recommended making 20% for the year against 4% for 1949. Net liquid assets at \$112.50 \$99,276 are equivalent to 49.6 cents per share. All in cost works out at 39.3 cents per lb. on a crop averaging 467 lbs. per acre. The Company owns 398 acres planted with old rubber and 141 acres planted with modern material of which 69 acres are immature. Forward sales for 1951 are 4 tons monthly January/June, and two tons monthly July/December at an average price of \$1.35 per lb.

**Lingui Tin Ltd.** Owing to the Emergency, the Directors after consultation with the Technical Managers have decided to take steps to close down the mine.



## HONGKONG INDUSTRIAL REPORTS

For April 1951.

per picul. Galvanised Iron Sheets stood firm, being one of the items required for purposes of barter trade with China: G31 3"x7' rose slightly to \$18 40 per sheet; P24 sold at \$1.45 per lb. and G26 at \$1.46 per lb.

The allocation of 1,000 tons of Tinplate to Hongkong for the third quarter by the British Government has ensured supplies for local factories, but at an increased price. Local exporters, however, see little chance for improvement in the situation as far as they are concerned in view of the strict controls exercised locally. US Tinplate waste, waste, 18"x24" electrolytic fell to \$325 per 200 lb. case; while tinplate waste, waste, coked, 2" to 10" improved to \$270 per case; tonnage packing remained at \$310 per 200-lb. unit. US Blackplate G29 to G33 was quoted at only \$195 per picul.

## Industrial Chemicals

The need for ready cash by dealers who were obliged to take up fresh arrivals and therefore unloaded their stocks on the market, caused a decline in prices in some instances, of which Belgian Zinc Chloride was one. After remaining steady at \$3,150 per ton this fell to \$3,100, but rose later to \$3,250 per ton. The German product also improved to \$3,100 per ton. ICI Ammonia Chloride (Red Moon) sold at \$1650 per ton, while the German and Belgian products were offered at \$1550. ICI Bicarbonate of Soda, refined, in 100-kilo packing improved somewhat in price with increased demand from North China, selling at \$87 per bag, as compared with a drop earlier to \$82; the Czech product sold at \$860 per ton. Some trading was done in Crown brand Quebracho Extract at \$1.45 per lb. in large transactions and \$147/\$148 for small quantities, the price at the close rising to \$1 52 per lb. US Vaseline, yellow, sold at \$1.05 per lb., dropping later to \$1.03 per lb. US Caustic Soda showed firmness, standing at \$395 per 700-lb. drum, but later sales made locally rose to \$400 per drum. Further arrivals of Taiwan Carbon Black in 80-lb. bags came on the market for which sellers were quoting \$14 per lb. Earlier transactions had been made in a few instances at as low as \$12.50 per lb.

## China Produce

A revival of interest in woodoil (tung oil) by European buyers, caused renewed activity in this commodity. The previous buying offer had been \$266 per ton c & f. Europe for shipment in ten days, but local exporters stood firm at \$270, at which rate transactions were finally effected. On the local market, the price of woodoil in drums remained at \$258 per picul (133.3 lbs.) and for in bulk shipment at \$245 per picul. Teaseed oil was weak, with an accumulation of stocks. The price fell to \$252 per picul, but no buying interest was aroused. With buying offers from France, aniseed oil showed activity. Transactions were completed at \$1180 per picul, the unrefined quality being quoted at \$1150 per picul. Cassia oil, with little demand for some time past, had a few transactions at \$2400 per picul. A drop in the price of cocoanut oil in Malaya caused a

**Factory Registrations:**—In the month of April, 32 applications for registration were received by the HK Dept. of Labour, 5 being on the Island and 27 in Kowloon & New Territories; 11 registration certificates were cancelled (2 HK and 9 K. & N.T.); 5 applications were refused (1 and 4), 3 being for premises for which no formal application was received; and 24 registration certificates were issued (8 and 16).

Details of factories and workshops recorded and registered in April, with the labour employed, are given below:

	M.	F.	Total
1 Mining (Wolfram Ore)	250	—	250
1 Torches	25	75	100
1 Cotton Weaving	56	35	91
1 Camphorwood Boxes	74	—	74
1 Motion Pictures	66	—	66
3 Engineering	48	—	48
1 Button	42	6	48
1 Dyeing	19	21	44
1 Hosiery	4	30	34
3 Printing	16	6	22
2 Laundry	21	—	21
2 Rice Mills	16	—	16
1 Metalwares	13	—	13
1 Sawmill	12	—	12
1 Confectionery & Candies	6	6	12
1 Medicine	10	—	10
1 Stone Grinding	9	—	9
23	687	183	870

Three factories changed their names in April: 1 Button, 1 knitting and 1 Iron Foundry.

Registered factories that closed in April numbered 9, including 1 Timber mill, 1 Torches, 1 Chemicals, 1 Foundry, 1 Metals, 1 Button, 1 Underwear, 1 Knitting, 1 Gourmet Powder.

For the four months of this year, Jan.-April, 111 applications were received (34 HK & 77 K. & N.T.); 41 registration certificates were cancelled (14 & 27); 21 applications were refused (6 & 15), 14 being for premises for which no formal application was made; and 89 registration certificates were issued (33 & 56).

As at April 30, 1951, a total of 1292 factories & workshops had been registered.

decline locally; sales were effected at \$164 per picul for the Malayan product while that from Thailand was quoted at \$156 per picul.

The cassia lignea market was dull: West River 1st qual. (new) in 1 cwt, bale f.o.b. fell to \$90 per picul, while the 80-lb bale sold at \$88 per picul and the loose packing, new crop, was transacted at \$80.50 per picul. Aniseed star fell further to \$155 per picul for Nanning 1st qual. and \$150 per picul for Honan 2nd qual.

ed (376 HK and 916 K. & N.T.), and 343 applications were under consideration (154 and 189).

**Women Employees and Night Work:**—The prohibition against night work for women contained in the regulations governing labour in Hongkong, has at times been a cause for comment on the score that the male employees in a factory are obliged to work permanently on night-shift, as the women are not permitted to relieve them. This works as a hardship on the men, who have no opportunity of working on day-shift.

It must be understood in this connection that the Hongkong labour regulations are based upon the policy of the British Government, which subscribes to international law, and the provision governing the employment of women at night is covered by International Labour Office conventions. It is therefore hardly likely that the Hongkong Govt., even if it wished to do so, would alter this regulation.

Both in the United Kingdom and in Hongkong it has been proved that efficiency and consequently output are increased when shorter hours are worked. As the deleterious effects on the men of permanent night work is bound in time to lessen output, it would no doubt be better to seek some means of improving an unsatisfactory state of affairs. The solution probably therefore, would be the introduction of a three-shift system, with sufficient men on the two day-shifts to man the night-shift. Men would then have two weeks of night work to one week's day work, or even week and week about.

Local cotton mills have one day a week holiday. If there were more men than women on the total force, it would be possible to work men on alternative day and night shifts, e.g., night shift, 100 men; day shift, 50 men and 50 women. This would also involve two weeks night-shift to one week day-shift.

**HK Cotton Industry:**—Local manufacturers are interested in orders recently received from Turkey and Greece for 10 counts cotton yarn. Hitherto Pakistan, China, Japan and other Far Eastern countries have been the chief purchasers of locally-made yarn. The extension of Europe is, therefore, welcome, and it is to be hoped that further developments will follow as a result of the local exhibit of yarns and textiles at the British Industries Fair in London.

Supplies of raw cotton for HK mills are being currently received from Brazil, Egypt and Turkey, as well as from Pakistan. This has eased the situation for the cotton mills, which have reserves until July. Offers have also lately come to hand from British East Africa; the samples received show the cotton to be better in colour, quality and staple than either the Brazilian or Pakistani products. A point in favour of obtaining raw cotton from British East Africa is that this country is within the sterling area.



## Far Eastern Commercial & Financial Reports

### Indian Foreign Trade

India had a seaborne trade surplus of Rs 469 million in 1950, compared with a deficit of Rs 2,175 million in 1949. Exports rose to Rs 5,414 million, from Rs 4,113 million in 1949, and imports fell to Rs 4,946 million, from Rs 6,288 million.

A surplus of Rs 331 million was shown in trade with the soft currency area, and of Rs 17 million in trade with the hard currency area. In 1949 there were deficits with both areas—that with the soft currency area amounting to Rs 1,276 million, and that with the hard currency area to Rs 514 million.

### Tariffs in Pakistan

The source of revenue for a special fund for the rehabilitation of refugees in Pakistan is to be an ad valorem tax levied on both import and export licenses. Licenses under PRs 5,000 will be exempt (PSs 3.31=US\$1). The tax on licenses between PRs 5,000 and PRs 9,999 will be PRs 10, and on licenses above PRs 100,000 it will be PRs 1,000.

### Burmese Debt to United Kingdom

The British Foreign Secretary stated on March 21 that the financial help given to Burma by the United Kingdom since the end of the war, including the contribution to the Commonwealth loan made in May last year, has amounted to £75.7 million. Of this sum, £36.5 million had been waived or repaid, and a balance of about £39 million still the subject of claims against the Burmese Government by five British firms formerly engaged in the timber trade in Burma, whose interests were taken over by the Burmese Government in 1948-49.

### Burmese Currency Board

The Union Bank of Burma is arranging to take over the currency-issue functions of the Burmese Currency Board which has heretofore had its headquarters in London. The Board will be abolished as soon as arrangements are completed, possibly this year.

### Chinese Soybeans for Western Germany

Western Germany has imported 66,000-77,000 short tons of soybeans from China in the 4-5 month period ended January 31, 1951. Most of the imports, purchased with sterling payments through London, were transhipped through Rotterdam or the United Kingdom. Chinese traders in January informed dealers in Hamburg that they would take further orders for soybeans only if machinery and other steel products were offered in exchange. Recognizing the virtual impossibility of obtaining export licenses for steel, importers in Western Germany offered payment in sterling, free dollars, and even Swiss francs, but all such offers were refused. Consequently, it appears that additional soybeans from China can be obtained only through a triangular arrangement of trade by way of the United Kingdom. The soybeans exported by China are reported to be of excellent quality, and to have yielded 18 percent

oil, compared with a yield of 16.5 percent from U.S. soybeans imported in recent months.

### Indonesian Export Duties

Indonesia has raised the export duty on rubber from 95 cents per kilogram in the first quarter of 1951 to 108.6 cents per kilogram in the second quarter.

The 8 percent export duty on tea is to be abolished for six months starting April 1. This action has been taken in response to the continued petitions from agricultural associations for the abolition of the duty, in view of rising output and low world prices.

### Philippine Foreign Exchange Tax

The Philippine Government has passed legislation providing for a 17 percent tax on sales of foreign exchange, with some exceptions, for a two-year period beginning March 28, 1951. Exemptions include foreign exchange for imports of specified essential commodities, mainly foodstuffs and drugs, and for imports of industrial and agricultural machinery for which letters of credit were established prior to January 1, 1951. Remittances to pay for reinsurance, marine insurance, life insurance premiums on policies issued prior to December 9, 1949, and U.S. veterans' insurance also appear to be exempted.

### Indian Import Control

The Government of India has announced changes in its import control policy in order to facilitate the procurement of essential commodities. The value of licenses for imports in the period January-June 1951 has been doubled, and the validity of the licenses extended to the end of December 1951. Further, the existing Open General License No. 21 has been enlarged to include certain essential raw materials. Certain articles for which there were no import quotas during January-June 1951 will now be licensed on a quota basis for import from soft currency countries. Finally, certain items which were on the Open General License list for import from soft currency countries only have been transferred to an Open General License for import from all countries.

### Pakistan Taxation

On March 19 the Finance Minister of Pakistan announced that the Government would reduce the income tax during the coming financial year. This action is the result of a budget surplus of PRs 207.4 million in 1950. Also, in view of improvements in the balance of payments because of larger cotton exports and higher prices for Pakistan's raw material exports, it is proposed to abolish all duties on coal, coke, pitch and tar, graphite, pig iron, iron alloys, chrome compounds, and some industrial minerals. A reduction of duties on some manufactured goods is also recommended.

Certain tax exemptions are proposed to encourage investors engaging in industrial undertaking in the next two years.

### Industrial Corporations in China

The South China Enterprises Co., Ltd. was formally inaugurated in Canton on February 25 along lines similar to the Industrial Development Corporation established in Peking on September 1, 1950. The initial capital, fully subscribed, is Y 10 billion, of which 30 percent is from public funds and 70 percent is from private investors. The function of the company will be to invest in productive construction, transportation, and public utility enterprises; to purchase native products, semi-manufactured goods, imports, and commodities for export; to purchase and sell on behalf of state-owned trading concerns and cooperatives; and to handle water and land transport, warehousing, and storage. A similar concern, the Tientsin Investment and Trust Co., is expected to commence operating in Tientsin.

### Indo-China's Foreign Trade

During January-September 1950, Indo-China had a trade deficit equivalent to US\$101.8 million, with imports amounting to \$153.4 million and exports to \$51.6 million. The principal suppliers were again France (\$116.8 million) and the United States (\$8.6 million). The principal importers of Indo-Chinese goods were France (\$19.5 million), the United States (\$9.9 million), and Hongkong (\$7.4 million).

### Thailand-Japan Trade

Thailand is planning to increase its imports from Japan because of the scarcity of manufactured goods from other sources—particularly low-priced goods, which Japan can supply. Japanese trade representatives are investigating the possibility of exporting tractors and other farm machines to Thailand.

### Agricultural Development in Thailand

The Thailand Government has appropriated over US\$3.5 million in local currency for agricultural development. In addition to work on irrigation, land reclamation, insect and rodent control, and rice and other crop improvements, provision is made for the transformation of the existing agricultural college into a national agricultural center for rural development. ECA has already made available US\$112,000 to this college.

### Philippine-Japan Trade Agreement

The Philippines and Japan have concluded a trade agreement for trade on an open account basis, which supplements the terms of the agreement signed in May 1950. This supplementary agreement increases the total value of goods to be exchanged in the trade year ending June 30, 1951 to US\$50 million; in the earlier agreement, the limit was set at US\$34 million. Japanese imports will consist mostly of raw materials (iron, manganese, chrome, lumber), while the Philippines will import capital goods and consumer goods.



## FRENCH COMMERCIAL INQUIRIES FOR HONGKONG

The French Commercial Counsellor (Conseiller Commercial de France en Chine), with offices at 601 Jardine House, 14 Pedder Street, Hongkong (Tel. 35750, Cables "Frenacom"), obtains regularly inquiries from French firms who are interested to sell to, or buy from Hongkong. Local business men are invited to avail themselves of the services of the French Commercial Counsellor who will be glad to supply to readers of the 'Far Eastern Economic Review' any economic information provided that inquirers can show a bank reference.

Following is a list of French firms' inquiries as recently received by the above-mentioned office:—

- 1.—Precision & Testing Instruments — from LA PETITE MECANIQUE DE PRECISION, PARIS.
- 2.—Hypodermic Needles (for industrial use) — Ets. A. M. I., PARIS.
- 3.—Plastic Goods — from COPROMA, PARIS.
- 4.—Grinding Mills of all sorts, Mark "Zenith" — from Messrs, GABRIEL ALLEMAND, MARSEILLE.
- 5.—Biological products & Dietetical Food — from L'ALIMENTATION EQUILIBREE, PARIS.
- 6.—Wines & Spirits — from Messrs, J. J. MORTIER, BORDEAUX & Maison Vve R. PASQUINET, COGNAC.
- 7.—IMPORTS TO FRANCE: Gailnuts, Essential Oils, Aniseed Oil, Musk, etc., .... offers called for by Messrs, MAZURA, PARIS.

## TRADE REPORTS

Five trade agreements have been signed by the People's Government with Poland, Czechoslovakia, North Korea, Hungary and Eastern Germany.

### Trade of the United States in 1950

Figures issued by the U.S. Dept. of Commerce show that in 1950 as compared with 1949 exports fell by 15% to \$10,275,000,000 while imports improved by 34% to \$8,842,000,000, reducing the export surplus to \$1,433,000,000 or only 25% of the balance in 1949, the smallest recorded since 1940. During August and October imports exceeded exports.

Coffee was the leading import, with ores, paper, oil, rubber and wool following in the order named. The value of rubber imports rose from \$192 million to \$369 million. The main gains were shown in imports of crude rubber and tin from Malaya, rubber from Indonesia, pepper and tea from India, tea and rubber from Ceylon, raw silk, textile manufactures and metals from Japan, bristles, tung oil, and raw wool from China, and raw wool from Australia and New Zealand.

The Western Hemisphere supplied about three-fifths of all U.S. imports, providing 57% in 1950 as against 60% in 1949.

Imports from China during 1950 increased from \$106.4 million to \$145.8 million; exports declined from \$82.7 million to \$38.3 million. Imports from Japan rose to \$182 million; exports fell slightly from \$467.5 million to \$418.2 million.

Exports to the Far East as a whole totalled \$1,401 million, a drop of 28%.

### U.S. Controls on Tungsten

As from April 10, the U.S. Defense Minerals Administration has placed tungsten ore and concentrates under Government control to equalize distribution and conserve available supplies. Handlers must file monthly reports on their inventories and anticipated supplies. Deliveries of tungsten ore to the General Services Administration for stockpiling are, however, exempt from the order.

Imports into the U.S. during 1950 of tungsten ore and concentrates for use in the manufacture of electrical and electronic products, high-speed steel and cutting tools, amounted in value to about US\$7,737,000. The major portion or 25.2% was imported from Korea, 10% was from Thailand, 6.3% from Japan, 4.3% from China, and the balance from Latin America.

### China's Foreign Trade in 1950

According to an announcement from Peking, China's foreign trade in 1950 was considerably higher than in 1949, achieving a favourable export balance of 9.34% for the first time since 1877.

Exports were 52.23% and imports 47.77% of the total value of China's foreign trade in 1950. The principal exports were soya bean, tea, eggs, hog bristles, tung oil, groundnuts, handicraft products and mineral ores. Main imports were installations and raw materials for industry which amounted to 78% of the imports.

Trade with the Soviet Union rose to nearly 25% in 1950, as compared with 7.76% in 1949 and 0.35% in 1936.

## HONGKONG'S TRADE WITH EAST ASIAN COUNTRIES

	Imports				Exports			
	March		Total Jan.-Mar.		March		Total Jan.-Mar.	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma .. .. .	355,383	.07	1,696,744	.13	1,107,573	.20	2,614,718	.17
Ceylon .. .. .	356,841	.06	762,206	.05	835,214	.14	2,353,368	.18
French Indochina .. .. .	2,717,856	.51	6,767,196	.51	2,230,707	.40	5,172,269	.33
India and Pakistan .. .. .	70,106,949	13.11	128,674,830	9.65	28,466,679	5.11	68,412,635	4.42
Malaya .. .. .	107,232,141	20.05	213,511,551	16.01	98,654,124	17.72	294,231,636	19.00
Philippines .. .. .	1,113,999	.21	3,355,869	.25	6,111,751	1.10	18,924,294	1.22
Thailand .. .. .	15,076,958	2.82	34,221,974	2.57	8,704,156	1.56	24,301,530	1.57
Indonesia .. .. .	6,920,634	1.29	25,060,512	1.88	16,033,707	2.88	63,815,079	4.12
Total South East Asia .. .. .	203,880,761	38.12	414,050,882	31.05	162,143,911	29.13	480,325,529	31.01
North China (incl. Manchuria) .. .. .	35,003,520	6.54	81,062,714	6.08	79,895,621	14.35	204,178,085	13.18
Middle China .. .. .	14,401,026	2.69	37,372,347	2.80	20,397,553	3.66	57,309,817	3.70
South China .. .. .	49,834,960	9.32	116,310,760	8.72	157,801,476	28.35	434,110,991	28.03
South Korea .. .. .	243,390	.05	639,473	.05	2,924,558	.53	3,003,787	.19
Total North East Asia .. .. .	99,482,896	18.60	235,385,294	17.65	261,019,208	46.89	698,602,680	45.10
Total Trade of Hongkong .. .. .	534,873,680	100.00	1,333,405,547	100.00	556,670,998	100.00	1,548,594,916	100.00